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What's News

Business & Finance

Goldman's incoming CEO is installing investment bankers in the Wall Street firm's senior-most roles, capping a power shift away from the trading business. **A1**

◆ **GM is recalling** more than one million pickup trucks and large SUVs in the U.S. for a steering defect. **B1**

◆ **VW plans** to stop building its iconic Beetle, ending an 80-year run for the car. **B3**

◆ **OPEC oil output surged** last month, more than making up for a decline in Iranian supply because of U.S. economic sanctions. **B1**

◆ **The ECB lowered** its forecasts for Europe's economic growth, but said it would press ahead with a plan to phase out easy money. **A7**

◆ **Agreeing on how** to frame the path of rate increases next year could prove to be a tricky task for Fed officials. **A6**

◆ **Sears is limping** into the critical holiday season, after the retailer reported its quarterly sales fell 26%. **B1**

◆ **Apple and other tech** firms led the S&P 500 to a 0.5% gain, while the Dow rose 147.07 points to 26145.99. **B11**

◆ **Facebook will begin** fact-checking photos and videos, seeking to close a gap that allowed Russian propagandists to promote false news. **B5**

◆ **Amazon's Bezos plans** to commit an initial \$2 billion to help the homeless and educate preschoolers. **A2**

◆ **Kroger's sales grew less** than expected and the grocer said it would sacrifice profit to keep investing to compete with Amazon and Walmart. **B3**

World-Wide

◆ **Forecasters and** government officials warned that the hours and days after Hurricane Florence strikes the Carolinas are likely to be devastating due to the storm's large size and slow speed. **A1**

◆ **Trump denied** Maria caused 3,000 deaths in Puerto Rico, falsely accusing Democrats of inflating the toll. **A2**

◆ **Turkey's central bank**, defying Erdogan, sharply raised interest rates to 24% in an attempt to counter the country's economic woes. **A1**

◆ **Sen. Feinstein reported** to the FBI an allegation concerning Kavanaugh that appeared to be linked to an incident of potential sexual abuse when he was a teen, a person familiar with the matter said. **A3**

◆ **Explosions and fires hit** towns near Boston. Officials said the cause appeared to be related to a gas pipeline. **A3**

◆ **The pope ordered** an investigation into allegations of sexual harassment against West Virginia's bishop and accepted his resignation. **A3**

◆ **Lawmakers reached** a bipartisan deal to keep the government open until after the midterms and passed a first tranche of spending bills. **A4**

◆ **House Republicans** advanced a measure to lock in tax cuts on individuals beyond their scheduled expiration. **A4**

◆ **New York Gov. Cuomo** defeated left-flank challenger Cynthia Nixon in the state's Democratic primary. **A4**

◆ **Two Russians charged** with trying to murder a former Russian spy in the U.K. said they were there as tourists. **A18**

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Waves slammed a pier in Atlantic Beach, N.C., on Thursday as Hurricane Florence's leading edge battered the coast. Thousands of people were already without power.

Florence Threatens Heavy Floods

WILMINGTON, N.C.—Forecasters and government officials warned that the hours and days after Hurricane Florence strikes the Carolinas are likely to be devastating due to the storm's large size and slow speed, concerns that are magnified by the region's coastal development in recent years and homeowners' lack of adequate insurance.

Though Florence was downgraded to a Category 1 storm late Thursday as its wind

speed slowed, that means the rain could linger for days, much like the rains of Hurricane Harvey in Texas last year that produced severe flooding.

Much of the growth in population and development in North and South Carolina has been in coastal areas. Yet fewer homeowners in the re-

gion own flood insurance than five years ago.

As of July 31, the latest figures available, the 134,306 policies in place in North Carolina from the National Flood Insurance Program represented a 3.6% decline from 2013. In South Carolina, flood policies were down 1.2%, to 204,342, according to an analysis of government data by The Wall Street Journal.

Standard homeowners' insurance policies typically cover

damage that can happen to a structure, but they exclude storm surges, other flooding and, in some coastal counties, wind damage. Homeowners must buy separate policies to get the excluded coverage. For flood policies, they typically buy from the U.S. government.

Consulting and actuarial firm Milliman Inc. estimates that fewer than 10% of the households likely to be affected by Florence in the Carolinas have federal flood insur-

ance, based on the current storm footprint.

"Residents of these states are materially less prepared than they were in the past to deal with the financial consequences associated with major flooding events," said Robert Hartwig, a risk-management and insurance professor at the University of South Carolina's

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◆ Track the progress of the storm at WSJ.com

Pope, U.S. Bishops Meet Amid Crisis



BUFFETED CHURCH: Pope Francis, who met with a U.S. delegation on Thursday to discuss abuse scandals, accepted the resignation of a West Virginia bishop accused of sexually harassing adults. **A3**

Phones, Cars Can't Shed Mining Taint

Supply chains of Apple, VW and others still link to a cobalt mine with manual workers

By SCOTT PATTERSON
AND ALEXANDRA WEXLER

KOLWEZI, Congo—Apple Inc., Volkswagen AG and about 20 other global manufacturers found themselves on the defense when Amnesty International reported two years ago that the cobalt in some of their batteries was dug up by Congolese miners and children under inhumane conditions. Many of the companies said they would audit their suppliers and send teams to Congo to fix the problem.

Their efforts haven't kept hand-dug cobalt out of the industry supply chain.

At a cobalt mine named Mutsuchi in Kolwezi, freelance Congolese workers known as *creuseurs*—French for miners—could be seen in May descending underground with-

out helmets, shoes or safety equipment. The mine's owner is part of the global cobalt supply chain for companies including Apple and VW.

Miners there were using picks, shovels and bare hands to unearth rocks rich with the metal. Water sometimes rushes into holes and drowns miners, and an earth mover buried one alive last year, said local creuseurs and mine officials.

"Of course, people die," said Christian Schöppel, then acting chief executive of the Mutsuchi mine's owner, Chemaf SARL, in May. "This is really shitty work." He called the miners "barbarians" and said Chemaf had resisted giving them safety equipment because they would sell it.

Global demand is soaring

Please turn to page A9

Goldman Shake-Up Reflects Shift Away From Trading

By LIZ HOFFMAN

Goldman Sachs Group Inc.'s incoming chief executive is installing investment bankers in the Wall Street firm's senior-most roles, capping a power shift away from a trading business that has struggled to make money since the financial crisis.

David Solomon, who takes over as Goldman's CEO on Oct. 1, on Thursday tapped as his deputy John Waldron, who will be the firm's president and chief operating officer. Stephen Scherr will take over as financial chief, succeeding Martin Chavez, who has been in the job just over a year, the

company said.

The shake-up shows Mr. Solomon swiftly reshaping leadership of the firm he will take over from outgoing Chief Executive Lloyd Blankfein. It also represents a triumph of Goldman's investment bankers over its traders.

The cadre of traders and securities salesmen that Mr. Blankfein promoted to top jobs are nearly all gone. In their place is a crew of besuited deal makers steeped in the business of schmoozing clients, raising money and doling out advice. A decade after the crisis, which cast Goldman as the poster child of the reckless and self-interested dealings

that nearly tanked the economy, Mr. Solomon is steering the firm back to its roots as an adviser and broker for big companies and institutions.

Mr. Chavez, a computer engineer who came up through Goldman's trading arm, will return to that division as a co-head. He leaves the CFO job after 18 months in which Goldman stumbled in the Federal Reserve's annual stress tests and disappointed investors by reducing its stock buyback.

Its share price has lagged behind peers, and Mr. Chavez's Please turn to page A6

◆ Heard on the Street: Wisdom of Solomon's CFO move.... B12

Turkish Bank Defies Erdogan

By DAVID GAUTHIER-VILLARS
AND JON SINDREU

ISTANBUL—Turkey's central bank sharply raised interest rates—defying President Recep Tayyip Erdogan's demand to cut them—in an attempt to counter the country's economic problems and reverse growing investor aversion to emerging-market economies.

The central bank increased its main interest rate to 24% from 17.75% on Thursday, citing concerns over price stability and saying it would maintain a tight monetary-policy stance until the inflation outlook improves significantly.

The turmoil in Turkey has rattled global markets in recent weeks and comes at a precarious time for developing economies around the world,

Slight Reprieve

The lira rose Thursday after Turkey's central bank raised rates. **Liras per dollar:**



just as investors have started to cast doubt on how long the current period of synchronized global growth can last. Over the past five months, a stron-

ger U.S. dollar has left the Argentine government struggling to repay the dollar-denominated debt it issued in recent years, driving the peso to fall more than 50% against the dollar this year, amid soaring inflation.

Investors are afraid that other emerging nations will eventually suffer from the same ills as Turkey and Argentina because increasing global trade frictions and the Federal Reserve's tightening of monetary policy have driven money away from riskier countries and into the relative safety of U.S. assets. This has led to selloffs in the currencies of countries from South Africa to Indonesia. The MSCI Emerging Markets stock index is down more than 14% this year, while the S&P 500

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A Towing Company Gets the Boot, and Chicago Cheers

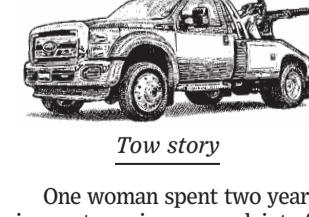
* * *

'Lincoln Park Pirates' tormented drivers for years, locals say

By DOUGLAS BELKIN

CHICAGO—In a city known for gangsters, bootleggers and corrupt politicians, residents will tell you the most reviled actor on the North Side is a tow-truck company.

For more than half a century, Chicagoans have claimed Lincoln Towing Service—locally known as the Lincoln Park Pirates—has hauled away cars for no reason, overcharged motorists to get them back and taunted owners who complained.



Tow story

One woman spent two years in court pursuing a complaint after she said Lincoln towed her car from her leased space one winter when she was pregnant, and accused her of being a drunk. A child-protection investigator said after Lincoln towed his car, employees at its lot

laughed at him when he pointed out he had been on official business at a police station.

On Wednesday, a state commission revoked Lincoln's commercial vehicle relocators license. Chicago cheered. Twitter bubbled with schadenfreude.

"Oh, man that's great news!" said Andrew Bani, a cabdriver from Nigeria who said Lincoln towed him four or five times over the years. "I'm happy, I'm happy, I'm happy. I don't know if it's karma or what, but they tormented people."

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INSIDE



DEVELOPERS TARGET BUYERS' TASTE BUDS

MANSION, MI

GM RECALLS OVER A MILLION PICKUPS, SUVS

BUSINESS & FINANCE, B1

JIN LEE/BLOOMBERG NEWS

U.S. NEWS

Florence Poses Big Threat

Continued from Page One
Darla Moore School of Business.

The widespread lack of flood insurance and low savings balances could force thousands of homeowners to seek federal disaster assistance in the form of grants and loans, he said. A year after Hurricane Harvey left many Texans in dire financial straits, tens of thousands of uninsured or underinsured residents continue to struggle to repair flooded houses.

For homeowners without insurance, the Federal Emergency Management Agency and federal government might provide only a fraction of what it will take to bounce back. "Suffice it to say that federal government assistance, especially when it comes to individuals, is not going to provide the necessary resources for people to get on the road to recovery," said David Maurstad, chief executive of the National Flood Insurance Program.

The Carolina coast began to feel tropical storm-strength winds on Thursday. The storm could make landfall in either North or South Carolina on Friday, the National Hurricane Center said.

"Please do not let your guard down," FEMA Administrator Brock Long said at a news conference. "This is a very dangerous storm."

The region's ground already was saturated by rain before the storm. That means new rain will have nowhere to go, leading to more flooding that could send trees and power lines toppling.

On Thursday the storm already had cut power for thousands of residents. Duke Energy, a large utility serving the Carolinas, estimated that nearly 3 million of its customers could lose power. It serves 4 million in the region.

"This is a situation where it's not days but possibly weeks to get the lights back on," said Howard Fowler, Duke's incident commander for Florence.

In the port town of Morehead City, N.C., Len Gibbs of insurance and real-estate firm Chalk & Gibbs Inc. said some customers have opted to forgo flood insurance because of the cost, which has been rising in recent years.

"We've seen people who've gotten their mortgages paid off, and even if they are in a high-risk flood zone, they haven't experienced flooding in their neighborhood, so they say, I'm not going to pay thousands of dollars for this insurance," he said.

In one recent example, the owner of a large, elevated and expensive home in Ocean Isle Beach, N.C., faced a \$9,071 annual flood-insurance premium. "They said, 'We'll roll the dice' at that price, which was up from \$5,600 in 2006.

While it is unlikely that living quarters of elevated beach homes would be flooded, dangerous surges could knock houses off their pilings, Mr. Gibbs said.

Some 3.6 million homes in Virginia, North Carolina and South Carolina lie in coastal areas and are worth more than \$1 trillion in total, according to Zillow. That value is up nearly \$150 million over the last five years, as development and home prices have boomed.

North Carolina and South Carolina in particular have seen an influx of retirees and young families from the Northeast and California seeking more affordable homes.

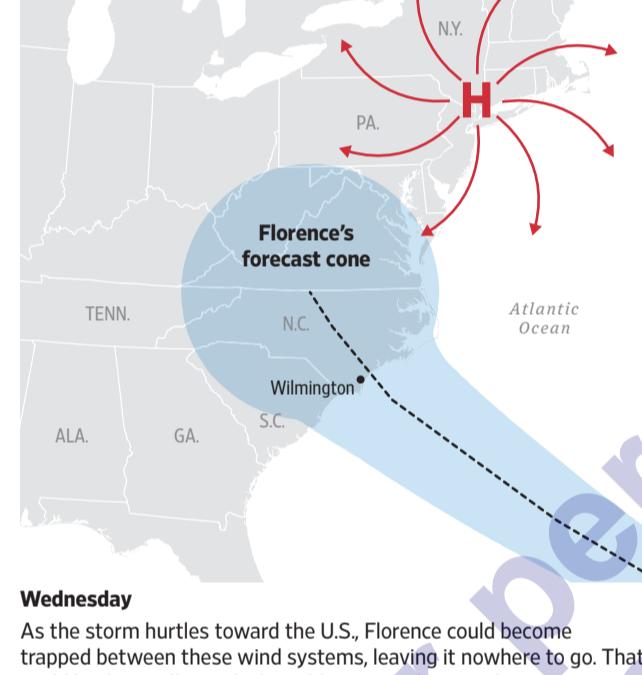


Evacuees sought shelter at Burgaw Middle School in Burgaw, N.C. The hurricane was expected to make landfall on Friday.

Wind Wars: Changes in the Forecast for Hurricane Florence Explained

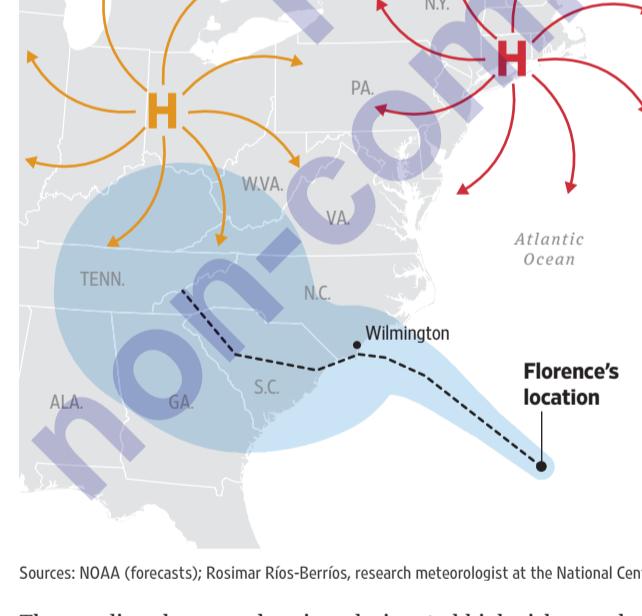
Monday

A strong **high-pressure system** of winds to the north forced Florence west, toward the Carolinas. Typically, hurricanes moving toward the U.S. curve northward, but this system blocked Florence's path.



Wednesday

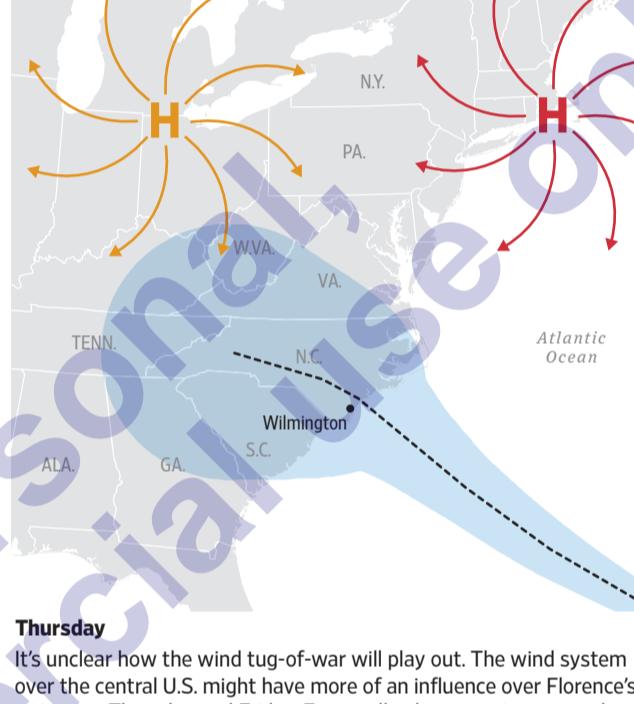
As the storm hurtles toward the U.S., Florence could become trapped between these wind systems, leaving it nowhere to go. That could lead to stalling, which could increase damage due to precipitation and flooding.



Sources: NOAA (forecasts); Rosimar Ríos-Berrios, research meteorologist at the National Center for Atmospheric Research

Tuesday

Another **high-pressure system** over the central U.S. prevented Florence from moving north.



Thursday

It's unclear how the wind tug-of-war will play out. The wind system over the central U.S. might have more of an influence over Florence's trajectory Thursday and Friday. Eventually, the storm is expected to head north toward West Virginia. Once over land, it will lose steam.



THE WALL STREET JOURNAL.

The median home value in Charleston, S.C., is almost \$176,000—up nearly 32% from five years ago but still well below the national median value of \$218,000, according to Zillow.

Most of the firms insuring these homes have excluded flood damage in their policies for at least 50 years, yet many homeowners learn they aren't covered only after their property has been ravaged.

People with federally backed home mortgages are required to buy the additional flood coverage if they are in a

designated high-risk area, but it is optional for everybody else.

Last year's string of hurricanes—including Harvey, Irma and Maria—was a wake-up call to many people about the limitations of their policies. In the aftermath, policy ownership rose 3.6% in North Carolina and 2.8% in South Carolina.

Still, the buying spurt has been relatively muted and didn't bring rates back to the 2013 level. Nationally, the number of policies has grown about 3% since last summer to 5.1 million across the 50 states,

below the nearly 5.5 million policies held in September 2012.

In North Carolina, one of the 20 coastal counties appears much better prepared. Roughly 60% of estimated housing units in Dare County—part of the Outer Banks barrier islands—are covered by the government policies, according to the Journal's analysis. In South Carolina, more than a third of housing units are covered in two of the eight coastal counties.

—Laura Kusisto and Jon Kamp contributed to this article.

kind of interference."

Mr. Rosselló responded to Mr. Trump's tweet by reiterating his administration's confidence in the George Washington University study and its estimated death count.

"The victims and the people of Puerto Rico do not deserve to have their pain questioned," Mr. Rosselló said. "They deserve recognition of that impact by our president....We strongly denounce anyone who would use this disaster or question our suffering for political purposes."

—Rebecca Ballhaus

did not go up by much. Then, a long time later, they started to report really large numbers, like 3,000."

Researchers at George Washington University's Milken Institute School of Public Health, commissioned by Puerto Rico Gov. Ricardo Rosselló, in a report last month estimated there were 2,975 excess deaths in Puerto Rico from September 2017 through February 2018 stemming from last year's hurricane.

Puerto Rico's government—led by a governor with the island's pro-statehood party who

is also a Democrat-faced criticism for nearly a year after the hurricane that it drastically undercounted the number of fatalities caused by Maria. Last month, it acknowledged in a document filed to Congress that the death toll from Maria was much higher than the official total.

The Milken Institute School of Public Health, which conducted the study, on Thursday issued a statement saying it stood by the science of its report, which it said was "carried out with complete independence and freedom from any

kind of interference."

Mr. Rosselló responded to Mr. Trump's tweet by reiterating his administration's confidence in the George Washington University study and its estimated death count.

"The victims and the people of Puerto Rico do not deserve to have their pain questioned," Mr. Rosselló said. "They deserve recognition of that impact by our president....We strongly denounce anyone who would use this disaster or question our suffering for political purposes."

—Rebecca Ballhaus

Bezos Starts Charity Fund

BY LAURA STEVENS

Amazon.com Inc. Chief Executive Jeff Bezos plans to commit an initial \$2 billion to fund a new charitable organization dedicated to helping the homeless and educating preschoolers.

The 54-year-old entrepreneur and his wife, Mackenzie, will form the Bezos Day One Fund to support existing nonprofit organizations that help homeless families and create a new nonprofit network of Montessori-inspired preschools in low-income communities.

Day One is a favorite term of Mr. Bezos's, referring in part to having his company adhere to a startup mentality.

Mr. Bezos wrote in a tweet that it is human nature to continuously seek ways to improve things, something previous generations succeeded to do. "If our own great grandchildren don't have lives better than ours, something has gone very wrong," he added.

In January, the Bezoses, who have four children, granted \$33 million in college scholarships for undocumented immigrant high-school graduates in the U.S. Last week, they made their first major foray into politics, contributing \$10 million to a super PAC that aims to elect military veterans to Congress.

Mr. Bezos's increase in charitable giving comes as Amazon has faced criticism over the wages it pays to warehouse workers and broader societal effects tied to the e-commerce giant, for example, driving up property prices in its hometown of Seattle.

Seattle recently tried to enact a tax to force the company to help with the city's growing homeless problem, although the decision was later reversed. And Sen. Bernie Sanders introduced a bill aimed at taxing big companies whose employees rely on federal benefits to make ends meet, specifically targeting Mr. Bezos by contrasting his vast personal wealth with the compensation of the companies' lowest-paid workers.

Mr. Bezos, who founded Amazon in his garage in 1994, has seen his net worth skyrocket over the past few years as his company has grown. He became the world's wealthiest person last year, surpassing Microsoft Corp. co-founder Bill Gates. The Bloomberg Billionaires Index estimates his current net value at roughly \$164 billion.

Mr. Bezos owns about 16% of Amazon, according to an August regulatory filing. The company last week became the second U.S. company to reach a \$1 trillion in market value.

CORRECTIONS & AMPLIFICATIONS

Stacey Finkelstein is an associate professor of marketing at Stony Brook University in New York. A Life & Arts article on Wednesday about negative feedback incorrectly said she is an assistant professor at Baruch College.

The "4% rule" states that retirees can pull about 4%

from their nest egg in the first year of retirement, and then that dollar amount plus more to account for inflation every year after that. A retirement question-and-answer column in Monday's Investing in Funds & ETFs report implied that after the first year, the rule continues to be based on 4% of each year's amount.

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U.S. NEWS

Kavanaugh Matter Is Sent to FBI

By KRISTINA PETERSON
AND JESS BRAVIN

WASHINGTON—Sen. Dianne Feinstein has reported to the FBI an allegation concerning Supreme Court nominee Brett Kavanaugh that appeared to be connected to an incident of potential sexual abuse when he was a teenager, a person familiar with the matter said.

Mrs. Feinstein, the top Democrat on the Senate Judiciary Committee, said Thursday she had “received information from an individual concerning the nomination of Brett Kavanaugh to the Supreme Court” and referred it to investigative authorities.

The California senator said the person providing the information, which she didn’t specify, had requested confidentiality. Further details of the allegation weren’t immediately available.

Democrats on the Judiciary Committee met informally Wednesday night to discuss the letter, a Senate staffer said.

A person familiar with the matter confirmed Mrs. Feinstein’s letter was referred to the Federal Bureau of Investigation as the agency that conducts background investigations of Supreme Court nominees.

“Upon receipt of the information on the night of September 12, we included it as part of Judge Kavanaugh’s background file, as per the standard process,” an FBI spokeswoman said.

Judge Kavanaugh didn’t respond to requests to comment.

A spokesman for Judiciary Committee Chairman Sen. Chuck Grassley (R., Iowa) said Mr. Grassley was aware of Mrs. Feinstein’s referral but hadn’t seen the letter. The chairman didn’t plan to change the committee’s vote on Judge Ka-

vanaugh’s nomination, which is scheduled for Sept. 20, the spokesman said.

White House spokeswoman Kerri Kupec criticized Mrs. Feinstein. “Not until the eve of his confirmation has Sen. Feinstein or anyone raised the specter of new ‘information’ about him,” she said. “Throughout 25 years of public service, the Federal Bureau of Investigation has thoroughly and repeatedly vetted Judge Kavanaugh, dating back to 1993, for some of the most highly sensitive roles.”

At last week’s confirmation hearing, Sen. Mazie Hirono (D., Hawaii) asked Judge Kavanaugh if as a “legal adult” he had “ever made unwanted requests for sexual favors or committed any verbal or physical harassment or assault of a sexual nature.”

Judge Kavanaugh said no. To a follow-up question, he said that he had never faced discipline or entered into a settlement over such matters.

Mrs. Hirono said she regularly asks judicial nominees whether they engaged in sexual harassment or assault “because it’s so hard to hold life-time appointees to the federal bench accountable and because I did not want the #MeToo movement to be swept under the rug.”

A Hirono aide said that at the time the senator had no specific information regarding Judge Kavanaugh.

The Judiciary Committee on Thursday scheduled a Sept. 20 vote on Judge Kavanaugh. The judge is expected to be approved on a party-line vote, with Republicans in the majority. His nomination then would move to the Senate floor for final consideration.

—Sadie Gurman
and Brent Kendall
contributed to this article.



Firefighters battled a blaze in Lawrence, one of three Massachusetts communities where fires and explosions erupted Thursday.

Gas Blasts Hit Homes Near Boston

By JENNIFER LEVITZ
AND RUSSELL GOLD

BOSTON—A series of fires and explosions broke out at dozens of homes Thursday 25 miles north of Boston, killing an 18-year-old man, injuring at least 13 other people and leaving officials scrambling to contain a wide-ranging emergency across three communities.

Officials said the cause of the catastrophe in Lawrence, a dense city of 80,000 on the Merrimack River, and two quieter suburbs nearby appeared to be related to a natural-gas pipeline, and officials rushed to shut off gas and electricity service to several towns to prevent additional fires.

“I’ve been in the fire service for almost 39 years, and I’ve never seen anything like this in my entire career. It looked like Armageddon,” Andover Fire Chief Michael Mansfield

said at a news conference. “It just looked like an absolute war zone.”

Massachusetts State Police said emergency crews had responded to fires, explosions or investigations of gas odors at 70 locations.

Leonel Rondon, 18 years

old, was parked in Lawrence when a nearby house exploded and the chimney collapsed onto the car, according to a spokeswoman for the Essex County District Attorney’s Office. He was pronounced dead at a Boston hospital.

Lawrence General Hospital said in a Facebook post late Thursday that it had treated 13 patients from the gas fires for conditions ranging from smoke inhalation to traumatic blast injuries. One critically injured patient was transferred to a Boston trauma center.

Additionally, people with existing medical issues came to the hospital needing assistance, while some other area residents showed up there because “because they were displaced by the fires and had no place to go,” Lawrence General said. “We are working to help these people find appropriate shelter.”

In Andover, there had been at least four injuries, including two firefighters with non-life-threatening injuries, the fire chief said.

Addressing reporters alongside local mayors, Massachusetts Gov. Charlie Baker said

the area was still an “active scene” late Thursday and that authorities were focused on making sure the communities would be able to get through the night without any power or lights because utilities had been turned off. Many residents had been evacuated and directed to local schools or senior centers, he said.

Video from the scene showed triple-decker homes and suburban colonials engulfed in flames, with walls, roofs and chimneys torn off. Smoke billowed into the sky as firefighters from all over New England fought to contain the flames. Many of the fires appeared to be controlled by the evening. “We do have a whole ton of work that we’re going to need to do for these homes that in some cases have been destroyed,” Mr. Baker said.

—Scott Calvert
contributed to this article.

GOP Takes Aim at Judges Issuing Nationwide Rulings

By BYRON TAU
AND ANDREW DUEHREN

WASHINGTON—The Trump administration and its Republican allies on Capitol Hill took aim at the practice of federal judges issuing nationwide rulings, hoping to tackle an issue that has repeatedly stymied President Trump’s agenda during his year-and-a-half in office.

On Thursday, the Department of Justice issued new guidance to government attorneys, saying they should argue vigorously in court against “nationwide injunctions,” when a federal judge on one of the U.S.’s 94 district courts issues a ruling that covers the entire country, often halting a presidential initiative, program or action.

The House Judiciary Committee, meanwhile, approved legislation to curb nationwide injunctions.

The bill, proposed by committee Chairman Bob Goodlatte (R., Va.), would instruct judges to write rulings that apply only to the individuals, organizations or entities that are part of the lawsuit in front of them.

While the federal judiciary



Ahmed Khalil, an Egyptian national living in the U.S., hugged his daughter in June 2017.

operates as an independent branch of government, Congress retains significant authority under the Constitution to write rules governing federal courts, including questions of procedure, organization and jurisdiction. It is unclear how the courts would view legislation like that of Mr. Goodlatte, which limits the

kinds of rulings they can issue.

Although the legislation’s path to enactment is far from clear, it reflects a frustration among some conservatives and the administration about the workings of the court system.

Mr. Trump has seen a number of setbacks in federal court on his signature policies,

including on several versions of his travel ban on citizens from certain Muslim-majority nations; his attempts to punish municipalities for protecting illegal immigrants; and his order banning transgender service members. In all, Mr. Trump’s policies have been the subject of nearly two dozen national injunctions since he

took office in 2017.

Republicans did note that the practice of national injunctions began in its present widespread form under Democratic President Obama, and that conservatives benefited from it then.

During the Judiciary Committee’s debate on the bill, Democrats argued that judicial injunctions play an important role protecting civil liberties.

In his new guidance Thursday, Attorney General Jeff Sessions urged Justice Department lawyers to argue in court that nationwide injunctions exceed constitutional limits on judicial power and are “not consistent with centuries of historical judicial practice.”

To issue an injunction against a policy, a judge must find that its challengers are likely to prevail in court and that irreparable harm would result from continuing the policy meanwhile. When judges have applied the injunctions nationwide, they have done so after having found that serious harm would ensue unless the policy was halted across the U.S.

The Supreme Court has never ruled on the practice of such injunctions.

Critics of the injunctions say it is the increase in frequency that necessitates congressional action.

“Judicial overreach in the form of national injunctions has increasingly frustrated administrations of both parties,” Mr. Goodlatte said. “Although the Trump administration has been the target of over 22 national injunctions to date, the practice took off in 2015 as a means of stopping major Obama administration policies.”

Mr. Trump’s critics say the courts are acting more frequently during his tenure because he pushes the legal envelope more often with far-reaching policies.

While liberals have cheered judicial action to halt Trump policies, conservatives cheered when rulings went against Mr. Obama. His administration experienced legal setbacks when judges halted enforcement of environmental rules on power generation and immigration rules pertaining to the parents of young illegal immigrants, as well as when they declared parts of his signature health-care law unconstitutional.

—Sadie Gurman
contributed to this article.

Bishop Resigns Amid Abuse Claims

By SCOTT CALVERT
AND FRANCIS X. ROCCA

Pope Francis has ordered an investigation into allegations of sexual harassment of adults against West Virginia Bishop Michael Bransfield and has accepted his resignation, church officials said Thursday.

The pope instructed Baltimore Archbishop William Lori to conduct an investigation into Bishop Bransfield and appointed him as the apostolic administrator of the Diocese of Wheeling-Charleston in West Virginia. The archbishop will perform both roles until a new bishop is appointed and in place.

Archbishop Lori said his

“primary concern is for the care and support of the priests and people of the Diocese of Wheeling-Charleston at this difficult time,” according to a

The announcement came as Pope Francis met with leading U.S. bishops in Rome.

news release from the Baltimore archdiocese.

“I further pledge to conduct a thorough investigation in search of the truth into the troubling allegations against

Bishop Bransfield and to work closely with the clergy, religious and lay leaders of the diocese until the appointment of a new bishop,” he said.

The news release didn’t detail the allegations against 75-year-old Bishop Bransfield, who became the eighth bishop of Wheeling-Charleston in 2005. Before that, he held several positions at the Basilica of the National Shrine of the Immaculate Conception in Washington, D.C., from 1980 through the 1990s.

The announcement came as Pope Francis met with leading U.S. Catholic bishops Thursday in Rome to discuss sex-abuse scandals in the U.S. church. The allegations have drawn in

the pope himself, following accusations that he rehabilitated a former archbishop of Washington who had been sanctioned for sexual misconduct.

After the meeting, Cardinal Daniel DiNardo, president of the U.S. Conference of Catholic Bishops, released a statement describing a “lengthy, fruitful, and good exchange” with the pope and saying that the U.S. bishops would continue to work with the Vatican to identify the “most effective next steps” against sex abuse.

The meeting is a crucial step by U.S. church leaders in seeking accountability from the Vatican even as they face a furor over their own records back home.



Bishop Michael Bransfield faces an investigation by the church.

U.S. NEWS

Lawmakers Make Deal to Avoid Shutdown

Spending bill would fund the government beyond the midterms; a 'minibus' also passes

BY NATALIE ANDREWS
AND KRISTINA PETERSON

WASHINGTON—Lawmakers reached a bipartisan deal on Thursday to keep the government open until after the midterm elections, while also passing a first tranche of spending bills and sending them to President Trump's desk.

The House passed the package of bills, known as a "minibus," in a 377-20 vote Thursday, a day after the Senate passed the same package. House and Senate negotiators from both parties had hammered out an agreement on the three spending bills earlier this week, which includes funding for the Energy Department, Veterans Affairs and the legislative branch of government, and their passage puts Congress on pace to avoid the deadline dramas of the past decade.

"This represents a return to our most basic responsibility around here: passing appropriation bills," said House Speaker Paul Ryan (R., Wis.). "This is the first time since 2007 that the House and the Senate will send multiple appropriation measures to the president's desk on time."

White House press secretary Sarah Sanders said Wednesday that Mr. Trump "looks forward to signing this



House Speaker Paul Ryan noted Thursday, 'This is the first time since 2007' that 'multiple appropriation measures' were finished on time.

legislation," and he has previously pledged to put off his fight for more border-wall funding until after the November elections.

House and Senate negotiators also announced Thursday that they had reached a deal on a short-term spending bill that

would fund the rest of the government through Dec. 7. The bipartisan deal, unveiled by Ap-

propriations Committee Chairman Rodney Frelinghuysen (R., N.J.), is designed to help Republicans avoid a fight over contentious immigration issues at the same time they are trying to protect their majorities in the House and Senate.

Congress is expected to pass

the spending patch with a sec-

ond package of spending bills

later this month. The spending

agreement leaves lawmakers room to pass a third cluster of full-year spending bills if a deal is reached between the House and Senate.

The second package will fund the Department of Defense, Health and Human Services, Education and other agencies. The bill would give members of the military a 2.6% pay raise and help com-

bat the opioid epidemic by providing \$6.7 billion for programs that fight, treat and stop substance abuse.

To avoid a shutdown, that package must be passed before the government's current funding expires at 12:01 a.m. on Oct. 1, as the new fiscal year kicks off.

In recent years, Congress has missed deadlines and

passed short-term extensions to bridge the lapses in spending. In the most recent budget fight, it took five of these "continuing resolutions" and two brief government shutdowns before a longer-term deal was reached in March 2018.

The spending deal would continue a freeze that has been in place since 2009 on the salary of members of Congress. However, it would set up a new dedicated funding stream for lawmakers to pay congressional interns, in response to criticisms that unpaid internships put them out of reach for less affluent young people. In the past, members could choose to pay interns from office funds; this bill gives each office \$20,000 every year to pay interns.

The spending package didn't resolve long-term concerns over how to pay for a newly expanded Department of Veterans Affairs health-care program. Congress in June approved a new program that allows veterans to get health care in the private sector but didn't find new funding for it.

Democrats had pushed to increase spending above limits established in a two-year budget deal in February to accommodate the program's new costs, but Republicans opposed to that prevailed and reduced funding across a range of programs to pay for it.

The minibus measure was supported by 202 Republicans and 175 Democrats. Of the 20 that opposed, 18 were Republicans and two were Democrats.

CAMPAIGN WIRE

POLLING

Democratic Party's Image Has Tarnished

More voters want Democrats to control the next Congress than want Republican leadership, polling shows. But that doesn't mean there is much affection for the Democratic Party.

The Republican Party has had an image problem for years. Since 2005, voters have held a more unfavorable view of the party than a favorable one, Wall Street Journal/NBC News polling shows.

By contrast, Democrats have had a positive image during some of those years. The parties' profiles were widely different in early 2009, for example, when 49% viewed the Democratic Party favorably, while only 26% had a positive view of the GOP. Since then, the Democrats' image has tarnished. In August, each party was viewed favorably by 32% of voters and unfavorably by 43%.

In a separate measure, Journal/NBC polling shows that neither party has a strong claim to be most in tune with Americans' thinking. Some 52% in August said the Democrats are out of step with the thinking of most Americans, while 56% said Republicans are out of step. And voters are nearly equally cool toward congressional leaders in both parties: Both House Democratic leader Nancy Pelosi and Senate GOP leader Mitch McConnell are viewed far more unfavorably than favorably.

—Aaron Zitner

CAMPAIGN ADS

McCain's Family Objects to GOP Ads

John McCain's family is criticizing House Republicans for using video of the late GOP senator in ads, so soon after his passing and without the family's permission. A Democratic candidate using the senator's image, meanwhile, received permission from the family.

In Arizona, a 30-second video by the National Republican Congressional Committee reuses a campaign commercial from 2016. In Michigan, an NRCC ad shows Mr. McCain criticizing Elissa Slotkin, a former Obama administration official who is challenging GOP Rep. Mike Bishop.

"The McCain family believes it's unfortunate that the senator's image is being weaponized this election season," a family spokeswoman said.

The NRCC didn't return a request for comment.

The family isn't objecting to the use of Mr. McCain's image in ads by Democrat Tom Malinowski, who is challenging GOP Rep. Leonard Lance in New Jersey.

—Natalie Andrews

Republicans Advance Extension of Tax Cuts

BY RICHARD RUBIN

WASHINGTON—House Republicans advanced a measure to lock in last year's tax cuts on individuals beyond their scheduled expiration date at the end of 2025, moving to build on their biggest legislative victory ahead of the midterm elections.

The Ways and Means Committee voted 21-15 Thursday along party lines, after lawmakers debated whether last year's tax cut has helped the country and considered the consequences of adding further to federal budget deficits. The full House plans to vote by the end of the month, though the lack of interest in the Senate means the bill's fate is uncertain.

Republicans say the 2017 tax law is spurring economic growth and that the extension would offer certainty to businesses and households and put money into families' pockets.

"The economic recovery that passed over so many individuals and families in our country is now reaching



The House Ways and Means Committee voted to endorse a measure that preserves tax cuts for individuals beyond 2025.

for businesses such as partnerships that report their earnings on their owners' individual tax returns. Limits on tax breaks would get extended, too, including the \$10,000 cap

on the deduction of state and local taxes and the repeal of the deduction for personal exemptions.

On top of last year's \$1.5 trillion tax cut, the new

proposal would reduce federal revenue by \$631 billion over the next decade, according to the nonpartisan Joint Committee on Taxation. Most of that cost is packed into the end of the decade, and the cost beyond that would be much larger.

Last year's tax law included the expiration dates because Republicans used a fast-track process that let them enact it without Democratic votes in the Senate. But it could not increase budget deficits beyond 2027, which led Republicans to include the expiration of the individual tax cuts.

Republicans did make a corporate-tax cut permanent, and they enacted revenue-raising provisions to remove the penalty for not purchasing health insurance and change the inflation metric for tax-code provisions.

Any move now to get rid of the individual expiration would require 60 votes in the Senate and thus Democratic support, and Republican leaders have shown little interest in holding a vote.

Cuomo Trounces Challenger Cynthia Nixon in New York

BY JIMMY VIELKIND

Gov. Andrew Cuomo fended off a left-flank challenge from Cynthia Nixon in a Democratic primary Thursday, but several insurgents running on a slate with Ms. Nixon scored victories—lightly bruising the governor's centrist brand but bringing him closer to a third term and preserving a path for a presidential run.

With two-thirds of precincts reporting, according to the Associated Press, Mr. Cuomo, 60 years old, won 66% of the vote compared with 34% for Ms. Nixon, an actor best-known for her role in "Sex and the City." Lt. Gov. Kathy Hochul held a slim lead over New York City Councilman Jumaane Williams. New York City Public Advocate Letitia James, whom Mr. Cuomo endorsed, won a four-way contest for attorney general.

Mr. Cuomo, who is seeking a third term, ran on the strength of his experience and has spent the campaign attacking President Trump. He was endorsed by establishment figures in the Democratic Party, including former Vice President Joe Biden and former Secretary of State Hillary Clinton, as well as most of the state's labor unions.

In advertisements and speeches, Mr. Cuomo touted a

strict gun-control bill as well as infrastructure investments around the state, including a replacement for the Tappan Zee Bridge over the Hudson River.

"I believe that my administration has started a very important progressive and positive agenda—I want to continue doing it," Mr. Cuomo said Thursday after voting in Westchester County. "And I want to keep up the battle against these Washington policies, which will erode the fun-

damental foundation of what we're about."

Ms. Nixon's first-time candidacy fell short, but she took credit for pushing Mr. Cuomo toward a more liberal position on legalizing recreational marijuana, which the governor said he would study, and in pushing to dissolve the New York state Senate's Independent Democratic Conference, which had sided with Republicans.

Ms. Nixon has also criti-

ardship of the New York City subway system. While polls showed her trailing, Ms. Nixon and her allies had hoped to replicate the upset victories of insurgents like Alexandria Ocasio-Cortez, who in June defeated Rep. Joe Crowley in a Democratic primary.

The Working Families Party cheered several challengers that it successfully backed against senators in the former IDC. Ms. Nixon took the stage at a Brooklyn hookah bar just after 10:30 p.m., saying she had conceded to Mr. Cuomo.

"Your victories tonight have shown that the blue wave is real, and it is not only coming for Republicans, it is coming for Democrats who act like them," Ms. Nixon said. "We have fundamentally changed the political landscape in this state and we have changed what is expected of a Democratic candidate running in New York."

Mr. Cuomo stumbled in the final days of the campaign, when his allies at the New York state Democratic Committee sent a mailer advertising saying Ms. Nixon wasn't standing up to anti-Semitism. Mr. Cuomo said he had no knowledge of the mailer, but his campaign acknowledged it was reviewed by Larry Schwartz, a man who was once his top aide.

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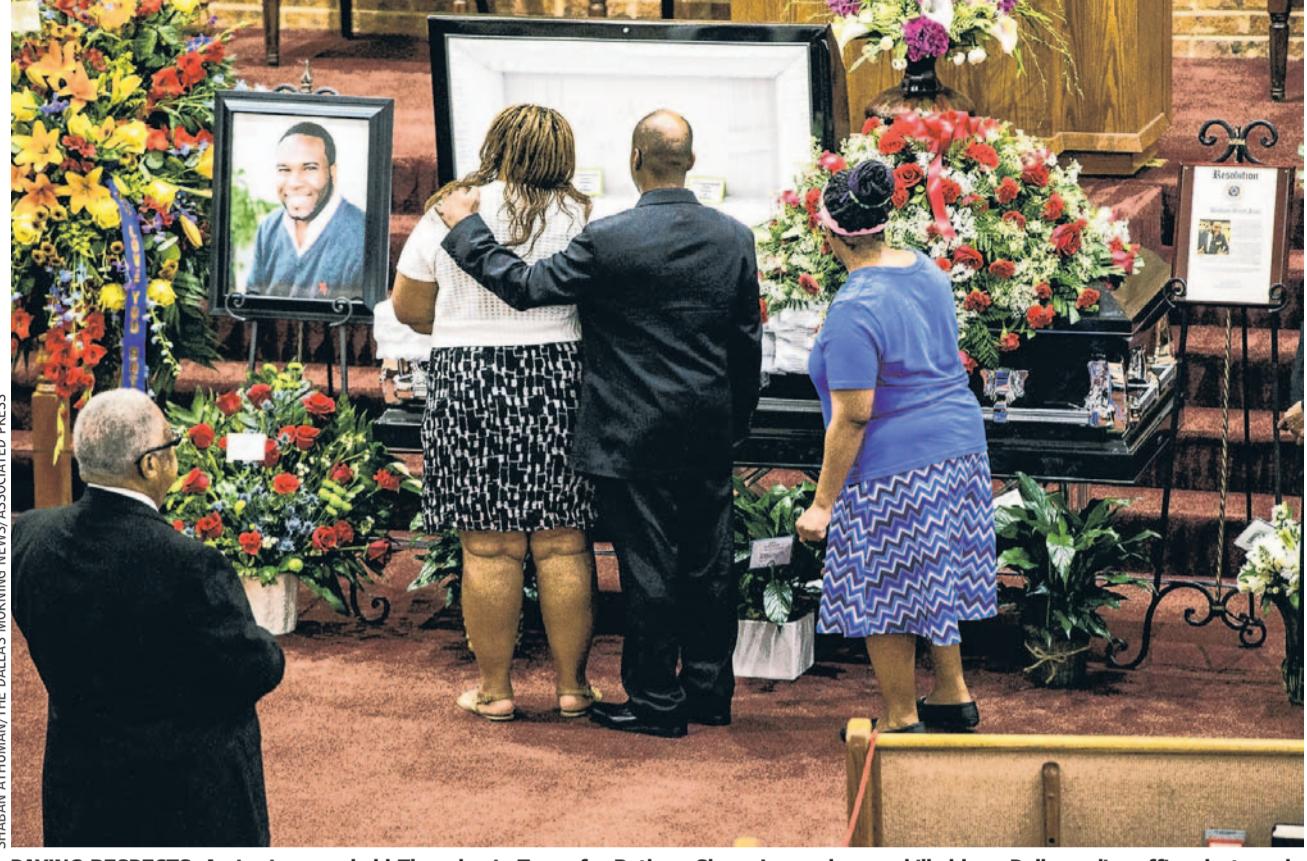
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U.S. NEWS

Mourners Gather in Texas to Remember Shooting Victim

PAYING RESPECTS: A viewing was held Thursday in Texas for Botham Shem Jean, who was killed by a Dallas police officer last week.

Tricky Part of Fed's Next Rate Increases

By NICK TIMIRAO

Deciding to raise short-term interest rates will be the easy part of Federal Reserve officials' meeting this month. Agreeing on how to frame the path of rate increases next year could prove much harder.

Solid U.S. growth, low unemployment and stable inflation should keep the Fed on track to raise its benchmark rate this month from its current range between 1.75% and 2%. Officials are likely to lift it again in December if trade disputes or volatility in emerging markets don't imperil global growth, according to interviews and public speeches.

Fed officials also could drop language from their postmeet-

ing statement that for years has described monetary policy as "accommodative," meaning rates are low enough to stimulate economic growth.

Removing the language now, when rates aren't yet at a "neutral" level that neither spurs nor slows growth, would avoid sending potentially misleading signals about where a setting lies.

Because rate increases this month and in December are so highly anticipated, the market's reaction could hinge on clues officials give about what comes in 2019 and beyond.

In June, officials penciled in two more rate increases this year, three next year, and one in 2020. They will update those projections at their

Sept. 25-26 meeting.

Up until now, predicting what the Fed would do has been relatively straightforward for investors. Officials have been eager to pull back their emergency stimulus measures, which lasted far longer than anyone anticipated. The only question has been whether the economy would be strong enough for them to do so.

Next year, the debate could change. With a few more increases, short-term rates will approach the officials' estimates of neutral, though there is still uncertainty about where this setting stands.

One camp is laying the groundwork for continuing to gradually lift rates to deliber-

ately slow growth and prevent overheating.

Another camp is preparing to argue that as long as inflation remains near the Fed's 2% target, officials should consider pausing rate increases once their benchmark rate approaches neutral.

This approach may not sound controversial, but it would be unprecedented in recent history.

Traditionally, to guard against overheating, the Fed has raised rates high enough to cool growth. "If you're at neutral but the economy is growing so rapidly that you're going to miss on your inflation rate target...then neutral is not where you want to be," said Boston Fed President Eric

Rosengren in an interview last week. He favored raising rates quarterly over the coming year.

Fed Chairman Jerome Powell hasn't taken either side, but in a speech last month at the central bank's annual retreat in Jackson Hole, Wyo., he provided clues that he might treat the traditional models more skeptically than some of his colleagues or staff.

He signaled skepticism over how firmly policy makers should rely on the estimates of long-run levels of unemployment and neutral rates that guide traditional thinking. The Fed is "navigating between the shoals...with only a hazy view of what seem to be shifting navigational guides," the Fed

chairman said.

Mr. Powell applauded the Fed's decisions under then-Chairman Alan Greenspan in the mid-1990s to defy the models and wait for signs of inflation pressures before further tightening policy.

The need for such a go-slow strategy, given the weak response of inflation to rising or falling labor slack in recent years, "is clearer than ever before," Mr. Powell said.

Financial turbulence abroad represents the biggest risk to the Fed's plans. Officials could hold off on rate increases if a stronger dollar causes greater upheaval in emerging markets or trade tariffs lead to a slowdown in China that sparks global market selloffs.

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U.S. WATCH

DEFICIT

Budget Gap Widens As Spending Grows

The U.S. federal budget deficit nearly doubled in August from a year earlier, as government spending swelled and revenues declined.

The government ran a \$214 billion deficit last month, compared with a \$107.7 billion budget gap in August 2017, due to a 30% rise in government outlays, the Treasury Department said.

The spending increase reflected some accounting shifts and calendar quirks and not actual spending changes. For example, Social Security benefit payments that would have been made in September were made in August due to the Labor Day holiday.

Adjusting for these changes, the government said the deficit was \$152 billion in August—still 41% larger than in the year-earlier period.

Government receipts fell 3% in August from a year earlier, in part due to a reduction in remittances from the Federal Reserve. Higher interest payments on the debt, a boost in military spending and rising costs associated with Social Security and Medicare all contributed to higher outlays.

—Kate Davidson

COLUMBIA UNIVERSITY

Business School Dean to Step Down

The longtime dean of Columbia University's business school told students and staff he will step down from the post at the end of this school year.

Glenn Hubbard said in an email Thursday that he was honored to have led the prestigious Columbia Business School for the past 14 years and would return to teaching after his term ends in July 2019.

Columbia Business School is one of the nation's oldest in addition to one of the most highly ranked by news outlets such as U.S. News & World Report and Nikkei Inc.'s Financial Times. During Mr. Hubbard's time as dean, the school—known for its ties to influential finance executives and investors like Warren Buffett—extended its sweep into new territory, investing in programs for student entrepreneurs and launching four master's degrees in areas including data analytics.

"As an economist, I believe we face a bright future of growth and innovation," said Mr. Hubbard, who will return to teaching finance and economics at Columbia.

—Kelsey Gee

CEO Shifts Goldman's Direction

Continued from Page One answers on quarterly conference calls at times failed to reassure shareholders unnerved by Goldman's trading woes and its expansion into new businesses. He approached Mr. Solomon earlier this summer and suggested the move, according to people familiar with the matter.

Back in the trading division, Mr. Chavez is expected to help Mr. Solomon cut costs and move more of its client interactions onto apps and other digital pipelines. Wall Street banks are leaning heavily on coders as more trading goes electronic, and Mr. Chavez has been a champion of Goldman's push to open up its internal technology to clients.

Mr. Waldron, 49 years old, co-heads Goldman's investment-banking arm, which generates about one-third of the company's profits. Mr. Scherr, 54, is overseeing its push into Main Street banking. Both men cut their teeth at Goldman in capital markets, the business of helping companies raise money, and have worked directly for Mr. Solomon before.

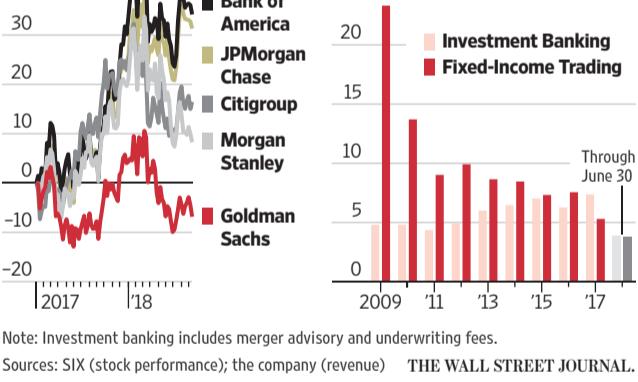
Mr. Blankfein, by contrast, rose through the ranks as a metals trader as that business boomed in the 2000s. Along the way, he promoted comrades from the fixed-income trading floor to senior roles, including Mr. Chavez, Harvey Schwartz and Gary Cohn, who went on to a role in the Trump White House.

But trading revenues have fallen sharply since the crisis, and Goldman's axis of power has tilted toward its investment bankers, who broker corporate mergers and underwrite stock and bond offerings. Messrs. Cohn and Schwartz both left, and two top trading executives close to Mr. Blankfein retired earlier this year after Mr. Solomon was tapped as the firm's next CEO.

Thursday's promotions of Messrs. Waldron and Scherr

Falling Behind

Goldman's stock has trailed other big U.S. banks as trading revenue has declined.



Note: Investment banking includes merger advisory and underwriting fees.

Sources: SIX (stock performance); the company (revenue) THE WALL STREET JOURNAL.

recruited his protégé to join. They have neighboring vacation homes in the Bahamas and travel in overlapping social circles, stacked with financial and business bigwigs.

A father of six, Mr. Waldron specialized in media and telecom companies—he is a top adviser to Rupert Murdoch—and was promoted to his current job in 2014. (Mr. Murdoch is executive chairman of News Corp, which publishes The Wall Street Journal.)

Mr. Scherr isn't personally close to Mr. Solomon—the two have butted heads over the years, according to people who know them—but holds the keys to Goldman's consumer and commercial-banking businesses, a priority. A trained lawyer who once clerked for a federal judge, Mr. Scherr also spent his early years at Goldman as a banker to media and telecom companies and later ran the firm's Latin American business.

He is now steering Goldman's push into Main Street businesses including credit cards, commercial banking and wealth management.

The elevation of Messrs. Scherr and Waldron will open seats lower down at Goldman. A leading candidate for Mr. Waldron's job as co-head of investment banking is Daniel Dees, who runs technology banking from California, according to people familiar with the matter. Mr. Scherr's duties overseeing the consumer bank will likely go to Harit Talwar, who has been running the business day-to-day, and Mr. Solomon might look to hire from the outside.

Stephen Scherr



Michael Bucche / The Wall Street Journal

Trading revenue has fallen since the crisis, and Goldman's axis of power has tilted.

THE WALL STREET JOURNAL.

WORLD NEWS

Amid Risk, ECB Will Phase Out Stimulus

Eurozone faces hurdles ranging from Brexit to vulnerability in its neighbor, Turkey

By TOM FAIRLESS
AND BRIAN BLACKSTONE

FRANKFURT—The European Central Bank lowered its forecasts for Europe's economic growth this year and next, but said it would press ahead with a carefully telegraphed plan to phase out easy money.

The decision underscores the delicate task facing the world's No. 2 central bank: The ECB has started to pivot away from years of ultralow interest rates, following the Federal Reserve, just as the eurozone economy softens and faces headwinds ranging from Brexit to vulnerabilities in its neighbor, Turkey.

In a statement Thursday, the ECB said it expects to wind down its €2.5 trillion (\$2.9 trillion) bond-buying program—known as quantitative easing, or QE—by year-end, confirming a plan outlined in June. The bank also expects to hold its benchmark interest rate at the record low of minus 0.4% at least through the summer of 2019.

"When we stop [buying



JASPER JUNIEN/BLOOMBERG NEWS
ECB President Draghi played down risks from Turkey and Argentina.

bonds], this doesn't mean our monetary policy stops being" supportive, ECB President Mario Draghi said at a news conference, citing the low level of interest rates and a pledge to keep rates where they are for a long time.

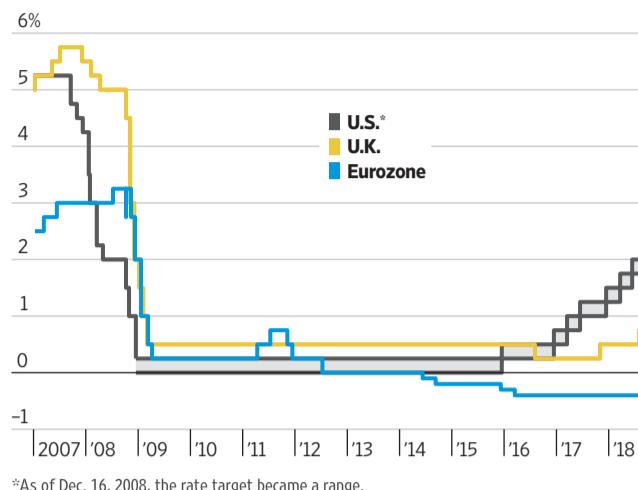
The euro rose slightly

against the dollar during Mr. Draghi's press conference but remains close to its lowest level in a year. That reflects the ECB's delay in raising interest rates even as the Fed is expected in late September to raise interest rates for a third time this year. German govern-

Lying Low

It may be another year before the European Central Bank follows in the Fed's steps of raising interest rates.

Central bank policy rates



*As of Dec. 16, 2008, the rate target became a range.

Sources: Federal Reserve Bank of St. Louis; Bank of England; European Central Bank;

THE WALL STREET JOURNAL

ment bond yields rose slightly.

Earlier Thursday, Bank of England policy makers struck a similarly cautious note, voting unanimously to leave interest rates on hold at 0.75% despite strengthening growth and inflation. The central bank highlighted concerns around Britain's departure from the European Union in March, as protracted negotiations create uncertainty for businesses and households.

Mr. Draghi cautioned that risks related to trade protectionism, emerging-market weakness and volatility in financial markets "have gained more prominence recently."

The ECB shaved its forecasts for growth in the 19-nation currency union by 0.1 percentage point for this year and next, to 2% and 1.8%, respectively. It expects eurozone inflation to average 1.7% this year and the following two

years, unchanged from its forecast three months ago.

Still, recent data broadly support the ECB's expectation for broad-based economic growth and a gradual buildup in inflation, Mr. Draghi said. He played down the impact of weaknesses in emerging markets such as Turkey, whose central bank sharply increased interest rates to 24% on Thursday to help counter a jump in inflation.

"In the aggregate what's happening in Argentina and Turkey so far doesn't show any significant spillover, although at the level of individual institutions you may well see significant exposures," Mr. Draghi said.

The ECB's optimism "remains predicated on the view that the euro area economy is still growing above potential, with enough accumulated speed to fuel inflationary pressure," said Frederik Ducrozet, an economist with Pictet Wealth Management in Geneva.

Analysts say the ECB is effectively on autopilot, pressing ahead with protracted plans to exit easy money in part because its options are limited: After years of aggressive stimulus, the bank would struggle to extend QE into next year under the program's current rules.

Bank of Japan Policy Makers Clash Over Rate Complaints

BY MEGUMI FUJIKAWA

ited by supporters with having helped to lift Japan's economy, continues to generate concern.

The bank's July meeting produced something for each side. For proponents of easing, the postmeeting statement gained a line stressing that core policies—including a yield target of zero on 10-year government bonds—would continue for "an extended period."

But the BOJ also addressed concerns about dormant trad-

ing in government bonds—a side effect of the easing—by widening the allowable trading band around that target. And it softened the negative-interest-rate program, under which commercial banks can be charged for holding money at the central bank.

Neither side emerged happy. Banks say low rates hurt their profits, and a recent scandal involving alleged fraud at a regional bank celebrated for its

profitability has raised concerns that BOJ policies may be encouraging high-risk behavior.

"The policy adjustments were not a fundamental solution," said Takashige Shibato, president of Fukuoka Financial Group Inc. and head of an industry body, at a press conference on Wednesday. Banks are "strongly concerned" about the functioning of the system if easing continues, he said.

BOJ board member Hitoshi

Suzuki said Aug. 29 that harmful side effects could accumulate, and "it may prove difficult or even too late to deal with these unintended consequences once they materialize." He said the central bank should consider pre-emptive measures—such as rate increases.

A week after Mr. Suzuki's speech, fellow board member Goushi Kataoka argued the opposite position.

"Judging from available

data, I don't think there are any tangible signs of side effects," he said. Letting interest rates rise could hit the economy, he said; what's needed is further easing to lift inflation from below 1% to the BOJ target of 2%.

Winning a majority of the board for rate increases will be difficult unless economic and price conditions improve significantly, people familiar with the BOJ's thinking said.

Turkey Raises Main Rate

Continued from Page One

has gained almost 9%.

Thursday's decision eased but didn't fully dissipate investor concerns over the central bank's independence from Mr. Erdogan, whose call for lower rates hours before the rate announcement had weighed heavily on the lira.

"We should cut down this high interest rate," the Turkish president said ahead of the decision in a televised speech in which he outlined restrictions on foreign-currency transactions. He didn't comment on the rate increase afterward.

"The positive signal is that the central bank could act despite the approval of the strong man," said Can Erbil, an economics professor at Boston College. "However, the president still clearly stated that he does not agree with the rate hike. This means that the tension is still there....The rate hike is not enough for a rebalance."

Gains in the currency, which shot up 5% against the dollar after the central bank's announcement, later moderated to a 4% rise. Late Thursday, \$1 bought 6.09 lira.

At the heart of Turkey's problem is how to unwind a lending boom that made it the fastest-growing economy among Group of 20 countries

last year, but has left it saddled with one of the world's biggest piles of private debt—much of it denominated in dollars.

The lira has dropped about 40% this year, making foreign-currency loans much harder to pay off. Some analysts fear that if a series of corporate defaults happen, that would weigh on banks and threaten a credit contraction, which in turn could prompt a full-blown economic crisis.

"Today's rate hike will help Turkey regain some credibility in the eyes of investors, but it remains to be seen if debt-market access reopens for the

The lira's fall has made foreign-currency loans much harder to pay off.

country. If it doesn't, Turkey needs to come up with a plan on how to fund their large external-financing requirement," said Paul Greer, portfolio manager at Fidelity International.

Problems associated with foreign-currency loans are particularly acute in the real-estate sector. Under Mr. Erdogan's watch, billions of dollars were plowed into construction of scores of high rises, resorts and shopping malls, where developers often set rents in euros or dollars.

Just before the rate decision, Mr. Erdogan announced moves aimed at supporting the lira and the country's overleveraged real-estate sec-

tor by restricting foreign-currency transactions. He banned transactions denominated in foreign currencies, as well as those in lira pegged to different currencies. Past transactions in foreign currencies must be converted to lira within 30 days at rates to be agreed between parties, the ruling said.

"Those who don't deal with import or export shouldn't cross paths with foreign currencies," Mr. Erdogan said in Ankara. "Business in our country must be made in our currency."

Although Turkey's rate increase was much smaller than Argentina's, which raised rates to 60% from 45% in August, some economists believe it will be more effective.

Charlie Robertson, global chief economist at Renaissance Capital, said that was because unlike in Argentina, where the economy is still overheating, there are signs the Turkish economy is losing steam. In the second quarter, it expanded 5.2% from a year earlier, compared with 7.3% growth during the first, official data recently showed. The country's trade deficit is also shrinking because the weaker lira and economic uncertainty led imports to drop 17% in June compared with the previous month.

"It will continue to shrink by about a third in coming months," Mr. Robertson said.

The growth slowdown, with its expected accompaniment by factory closures and layoffs, runs against Mr. Erdogan's promise of high growth fueled by low interest rates. But economists said it is a necessary cure after years of credit excesses.

"Turkey is swallowing the bitter medicine that most economists including us believe to be necessary," Holger Schmieding, economist at Berenberg Bank, said in a note to clients.

Meanwhile, Mr. Erdogan's ban on foreign-currency transactions sparked confusion in the real-estate sector. "The question is who is going to bear the brunt," said Robin Brooks, chief economist at the Institute of International Finance. "One way or another, somebody loses."

—Georgi Kantchev

contributed to this article.



MURAT CETINMUSTAFA/PRESIDENTIAL PALACE/REUTERS

Turkey's central bank defied President Recep Tayyip Erdogan.

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WORLD NEWS

North Korean Coal Slipped Into South

Shipment exposes sanctions gap after U.S. intelligence flagged violations risk

BY ANDREW JEONG

Shortly after midnight one Friday last fall, thousands of tons of coal labeled as Russian arrived at the South Korean port of Donghae.

The Oct. 27 shipment landed two months after the United Nations Security Council banned purchases of North Korean coal and other materials, and weeks after South Korea's foreign ministry told the president's office of U.S. intelligence about possible North Korean coal shipments and sanctions violations, according to South Korean documents.

But in an episode that exposes a gap in the global effort to enforce trade restrictions on Pyongyang over its weapons program, South Korean customs officials ultimately let the shipment through—only to confirm this summer that the coal had originated in North Korea. In all, seven shipments of North Korean coal and pig iron were determined to have arrived in the South last year, at least three of which came after the U.S. warned the Seoul government.

"What happened was a deviation, not a premeditated violation," said Yoon Suk-joon, a senior analyst at the Korea Institute for Military Affairs, a think tank in Seoul. "But there are so many loopholes in the sanctions regime, and ship inspections at ports are not as clear-cut as some assume."

The enforcement gap is striking because South Korea is a U.S. ally with extensive knowledge of North Korea's trade practices and the U.S.-led sanctions regime. South Korean officials maintain they properly addressed the shipments, by investigating and referring those suspected of violating sanctions for prosecution.

A South Korean official de-



Coal in Rajin Harbor, North Korea, in November. The U.N. banned purchases of North Korean coal and other materials in October 2017.

ED JONES/AGENCE FRANCE PRESSE/GTY IMAGES

U.S. Slaps Sanctions On Russian and Chinese Tech Firms

The U.S. Treasury Department imposed sanctions on two Russian and Chinese technology firms Washington says are front companies for North Korea to generate illicit revenues for Pyongyang's weapons programs.

The Treasury on Thursday said that China-based Yanbian Silverstar Network Technology

Co. Ltd. and a sister company set up in Vladivostok, Russia, called Volasys Silver Star are managed and controlled by North Koreans and earn millions of dollars for Kim Jong Un's regime in violation of international sanctions.

The sanctions prohibit any company that wants to maintain access to U.S. markets from working with the targeted entities and freeze any U.S.-linked assets.

The measures give weight to warnings from U.S. officials about North Korean program-

mers infiltrating Western tech companies through contracted software development. Those efforts, in contravention of United Nations and U.S. sanctions, give Pyongyang a growing source of revenue and represent a security risk, according to intelligence officials and private-sector analysts.

Officials at the Russian and Chinese embassies in Washington didn't respond to a request to comment. North Korea's U.N. mission also didn't respond.

—Ian Tally

fended the country's record on sanctions enforcement, pointing to its seizure of other vessels for alleged ship-to-ship oil transfers on the high seas. In addition, he said, other countries have also let in North Korean coal.

The South Korean state-run energy company that bought

the coal also received another shipment that turned out to be from North Korea, on Oct. 19, according to customs officials. These and other officials have said they have no evidence to suggest the firm, Korea South-East Power Co., known as Koen, knew the shipments were from North Korea.

spokesman. South Korean security officials recognized the gravity of the situation and agreed on the need for a customs-led investigation of the issue, according to an account of their deliberations included in documents obtained by lawmakers Yoo Ki-june and Kim Ki-sun of the conservative opposition party, which has legal power to request them, and which were reviewed by The Wall Street Journal.

The account of the discussions was confirmed by the president's office, which referred questions to South Korea's foreign ministry and customs office on why the Oct. 27 shipment of coal was allowed into South Korea after officials had raised red flags.

South Korean diplomats and customs officials have said they didn't have concrete evidence suggesting the coal shipments were illegal at the time, and that they couldn't act on mere suspicions.

In the case of the Oct. 27 shipment, customs officials initially detained the delivery two weeks after its arrival and alerted the buyer's customs agent about a potential sanctions violation, according to customs officials. The customs agent, Seoul-based advisory firm HanJoo, declined to comment.

A customs document reviewed by the Journal shows that HanJoo told customs officials that it had relayed customs' concerns about the origin of the shipment to Koen. A spokesman for Koen, Yoo Hae-jun, said the company was told that the shipment was detained but not the reason behind it.

The Koen spokesman said the company had no knowledge of the coal's suspected links to North Korea. One of the company's contractors in South Korea allegedly forged documents to make the shipment look like it was from Russia, according to customs officials and the Koen spokesman.

Customs authorities eventually released the coal to Koen in February this year because there was no definitive proof at the time that it came from North Korea, and because they feared a lawsuit by Koen or its contractors for holding up the delivery, according to a customs official familiar with the investigation.

Then, last month, customs investigators confirmed that the coal in both the Oct. 27 shipment and the one on Oct. 19 was from North Korea.

Five further illegal shipments of North Korean coal and pig iron were imported by other South Korean buyers between April 25 and Oct. 13 last year, according to customs authorities. The seven shipments had a total value of \$5.8 million, according to customs officials.

Customs officials referred three suspects they didn't publicly identify to prosecutors for indictment in relation to the seven shipments, and said two of the suspects were tied to the two Koen transactions. Prosecutors declined to comment.

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FROM PAGE ONE

Towing Company Booted

Continued from Page One
ple for years. For years!"

A person reached by phone at Lincoln said the company had no comment. Employees at Lincoln's yard directed inquiries to Allen Perl, the company's lawyer, who didn't respond to requests for comment.

Mr. Perl told the local ABC News affiliate that Lincoln will fight the decision and that there was no evidence at the hearing to show it was guilty of unauthorized towing, adding: "It's our position that we will be allowed to remain open during the appeal process."

The company's website says "Lincoln Park Towing has NEW MANAGEMENT with a BETTER understanding of ALL your parking needs."

The Illinois Commerce Commission, which issues tow licenses, said Wednesday it determined that Lincoln "has not conducted its business with honesty and integrity, that it is—in fact—inept or unworthy to be entitled to hold a Commercial Vehicle Relocators License."

"Good for them!" said Patrick Armstrong, an investigator with the Illinois Department of Children and Family Services, speaking of the commerce commission after hearing it yanked Lincoln's license.

Mr. Armstrong said he parked his car across from a police station where he was discussing a child-abuse case in 2015, when Lincoln towed it despite his valid parking placard. He and a sergeant went to Lincoln's office, he said, where an employee laughed at their complaint. He paid several hundred dollars to get his car back.

Last year, Cheryl Reed was at a launch party for her new novel, she said, when Lincoln illegally hauled her car from a lot. When she called the company,

the person hung up, she said. When she went to the lot to tell them there was a mistake, she said, employees laughed at her. A journalism professor at Syracuse University, she challenged the \$218 ticket and eventually got a refund.

"They were like little mobsters, 'We tow your car, you have to pay,' they could care less if the car was parked legally," she said. "They were really mean and nasty and there is no reason why those people should be in business."

A commerce-commission report found that between July 2015 and March 2016, Lincoln towed 9,470 vehicles. Of those, more than 800 were unauthorized—cars towed by unlicensed drivers, for example, or relocated without a property owner's consent or towed from lots where other companies had contracts.

In 1972, Chicago folk singer Steve Goodman—he wrote "City of New Orleans" and, importantly, "Go Cubs Go"—wrote the song "Lincoln Park Pirates" about the tow service.

The name stuck.
The song goes, in part:
*All my drivers are friendly
and courteous,
Their good manners ya always
will get,
'Cause they're all recent
graduates of the charm school
in Joliet [translation: Joliet
Prison].*

*'I'm happy, I'm
happy, I'm happy. I
don't know if it's
karma or what.'*

from a cemetery, a chain-link fence topped with barbed wire blocks the driveway. By the rusty-red office door, a sign reads: "Vehicles left over 5 days will be taken to our storage lot."

In the corner is scratched: "hells graveyard."

Metal bars stand between owners and employees holding their vehicles. On Wednesday, a man behind those bars, identifying himself as a tow-truck driver there for 20 years, said the only bad attitudes came from people standing on the other side of the bars.

"Why would we ever yell at anyone?" he said. "If they don't park where they're not supposed to, they won't get towed," he said.

Abby Amey walked into that alcove in 2014, she said, six months pregnant. Lincoln had towed her car from a space she leased, she said. After she presented her lease, she said the man behind the bars yelled: "You're a drunk!"

She spent two years pursuing the case and won \$2,000 in damages in civil court, she said.

"I refused to let it go."

Few drivers went that far, said Alderman Ameya Pawar, who fought to successfully pass a Chicago Towing Bill of Rights. "If you get your car towed for nothing you're really angry," he said, "but you have to get on with your life."

Shortly after Ms. Amey's experience, Lincoln towed a car whose owner was out of the country, said the owner's son-in-law, Josh Thalheimer. The owner used Google Earth images to show it was usually parked in a legal spot and shouldn't have been towed, he said. Lincoln returned the car at no cost, he said, with a damaged mirror.

"I thought, how many other people has this happened to?" said Basil Diab, a Chicago financial-services professional who, after reading of the case, started a petition in 2016 asking for an investigation of Lincoln.

It garnered 3,500 signatures. When Mr. Pawar heard the verdict, he said, he had one thought.

"Finally!"

The Mining Taint in Batteries

Continued from Page One
for cobalt, which is used to conduct heat in lithium-ion batteries in products from smartphones to electric vehicles. Cobalt prices have more than doubled since 2016, putting Congo in the spotlight. The country produced 67% of the world's cobalt in 2017, according to Darton Commodities Ltd., a U.K.-based cobalt-trading firm.

"Selling cobalt," said Chemaf Chairman Shiraz Virji in May, "is an easy job today."

Concerns about human-rights abuses in cobalt mining mounted after the 2016 report documenting inhumane conditions among creuseurs, also called "artisanal" miners. Companies have faced backlash from consumers disturbed by the use of workers toiling in dangerous conditions in one of the world's most impoverished countries.

It isn't easy for global manufacturers to trace cobalt's source in Congo, because it passes through multiple companies and countries. Some mining operations mix industrially produced and creuseur-dug cobalt, say mining executives who have worked in the country.

"When we speak to companies along the battery value chain, this is one of the biggest issues they have," said Milan Thakore, an analyst at U.K. commodities researcher Wood Mackenzie. "How do we trace where the cobalt has actually come from?"

The Wall Street Journal found that cobalt from Mutoshi, one of Congo's biggest creuseur-worked mines, is still making it into the global supply chain, although where it ultimately ends up is hard to know.

◆ Creuseurs mine Mutoshi, a barren pockmarked hilltop, and sell findings to Chemaf.

◆ Chemaf sells cobalt from Mutoshi and a mechanized mine that doesn't use creuseurs to Swiss commodity trader Trafigura Group, the companies say.

◆ Trafigura's biggest cobalt customers include Umicore NV, a Belgian chemicals giant, Chemaf and Umicore say.

◆ Samsung SDI Co., a South Korean battery maker, says it buys cobalt-based materials from Umicore and buys some cobalt directly from Trafigura.

◆ Apple and VW say they buy batteries from Samsung SDI.

One company in the chain, Samsung SDI, says it is aware some of the cobalt it gets from Chemaf is produced by the Mutoshi mine's creuseurs. If companies stopped buying it, said Samsung SDI's director of corporate strategic development, Bernardino Ricci, it would put people out of work. "We're pro artisanal mining because we don't want the communities to be affected."

Problem for Apple'

Chemaf's Mr. Schöppel said he wasn't concerned about where his company's creuseur-mined cobalt wound up.

"I don't care about supply-chain problems," he said in May at a Chemaf facility in Congo. "That's a problem for Apple and Samsung." He stepped down as CEO last month and says he remains on Chemaf's board. His successor hasn't begun, and Mr. Schöppel says Chemaf execu-



Creuseurs, freelance workers, at the Mutoshi mine in Congo move rocks containing cobalt, used in batteries that power electric cars and smartphones. Chairman Shiraz Virji of the mine's owner, Chemaf, here at home in Congo, says 'selling cobalt is an easy job today.'

tives can no longer speak with journalists.

Umicore disputes any implication that it buys cobalt produced by creuseurs at Mutoshi—or anywhere else—referring to its longstanding policy against the practice. Umicore Senior Vice President Guy Ethier said the cobalt Umicore buys from Chemaf is produced only industrially, not by creuseurs. He said he visited Mutoshi in August and said Umicore has methods to detect whether creuseur-mined metal is mixed into its supply.

Umicore receives about three-fourths of the cobalt Chemaf produces and Samsung SDI gets the rest, through Trafigura, Chemaf's Mr. Schöppel said. He said he doesn't know if any cobalt Umicore buys is from Mutoshi. Mr. Virji didn't respond to a question about whether his company sells creuseur-mined cobalt to Umicore. Trafigura, which said cobalt it buys from Chemaf includes metal from Mutoshi, declined to say if it sells cobalt to Umicore or Samsung. Apple representatives declined to comment on Umicore's supply chain and didn't respond to questions about Samsung SDI's use of cobalt from Mutoshi.

An Apple spokeswoman said the company's supplier code of conduct underscores a commitment to human rights, environmental protections and sound business practices.

A VW spokeswoman said the company is confident "the established due diligence framework of Umicore makes sure that no ASM"—artisanally-mined material—"is entering our specific supply chain." VW didn't respond to questions about Samsung SDI's use of cobalt from Mutoshi.

Apple and others have also used batteries whose supply chains trace to another big buyer of creuseur-mined cobalt in Congo, China's Zhejiang Huayou Cobalt Co., the 2016 Amnesty report said. Apple no longer uses cobalt produced by Huayou, said a person familiar with the iPhone maker.

Huayou spokesman Bryce Lee said the company has implemented a system to better manage its supply chain and has worked with a nongovernmental organization to help comply with global standards for human rights in mines.

Creuseurs are ubiquitous across Africa, especially in diamond and gold mining, where they work independently of mining companies, sometimes on companies' land with those companies' approval, typically with



SCOTT PATTERSON/THE WALL STREET JOURNAL (2)

out safety equipment.

In Congo, creuseurs often dig for cobalt outside designated mining areas with no supervision and frequently bring children to work alongside them, say some mining executives and nongovernmental organizations. Congolese creuseurs often sell their findings at markets to traders or directly to the mines' owners. They produce about 20% of Congo's cobalt, according to S&P Global Market Intelligence.

The Congolese government says it is seeking to protect miners, for whom the informal labor is the only option. "I cannot lie and say that it's easy," said Richard Muyej Mangeze Mans, governor of Lualaba province, where the Mutoshi mine lies, "but we are making progress."

Chemaf sends mixed messages about creuseurs. Its website states its cobalt operations are "fully mechanised," an industry euphemism for industrial mines without creuseurs, although it also mentions a "pi-

lot" artisanal-mining project in Mutoshi. Thousands of creuseurs could be seen living and working at Mutoshi in May. Chemaf's Mr. Schöppel said he wasn't aware of the website's "fully mechanised" claim.

Leslie Melrose, Chemaf's general manager of mining, said in May that it is addressing Mutoshi conditions and plans eventually to replace creuseurs with an industrial operation. Mr. Virji, Chemaf's chairman, said: "We are going to make it right" for Mutoshi workers.

Trafigura says thousands of creuseurs at Mutoshi have been provided safety equipment, and a recent video of the site reviewed by the Journal shows dozens of workers wearing helmets and gloves.

Chemaf said that Mutoshi has 300,000 tons of cobalt in the ground and that the mine has the capacity to produce 16,000 tons of cobalt annually. That would make Chemaf one of the world's largest cobalt producers.

Companies have moved to

scrutinize their cobalt sources, including Umicore, which in 2016 hired accounting firm PricewaterhouseCoopers to review its cobalt supply chain, including whether it used creuseur-mined metal. Umicore's Mr. Ethier said the company is "very concerned about human rights, child abuse, health and safety."

PwC didn't visit Congo for its audit, according to Umicore. PwC Partner Marc Daelman said: "Our assurance relates to validating compliance by Umicore with their publicly disclosed framework."

Supply-chain reviews

VW works with battery-cell providers to analyze mines and determine if there is "child labor or unacceptable working conditions," said its spokeswoman, Leslie Bothge. VW is aware Chemaf gets cobalt from industrial and artisanal sources, she said. VW interviews non-government organizations and industry experts in Congo, she said, and sends teams there to verify its standards are met.

The Apple spokeswoman, Sam Fulton, said the company started mapping its supply chain for rechargeable batteries in 2014 and that 100% of its smelters participated in independent third-party audits into cobalt-supply sources. Apple declined to say if its audits included Chemaf. The company's supplier responsibility standards don't exclude the use of creuseur-mined commodities.

"There are real challenges with artisanal mining of cobalt in the Democratic Republic of Congo," an Apple spokesman said, "but we believe deeply that walking away would do nothing

"I refused to let it go."

Few drivers went that far, said Alderman Ameya Pawar, who fought to successfully pass a Chicago Towing Bill of Rights. "If you get your car towed for nothing you're really angry," he said, "but you have to get on with your life."

Shortly after Ms. Amey's experience, Lincoln towed a car whose owner was out of the country, said the owner's son-in-law, Josh Thalheimer. The owner used Google Earth images to show it was usually parked in a legal spot and shouldn't have been towed, he said. Lincoln returned the car at no cost, he said, with a damaged mirror.

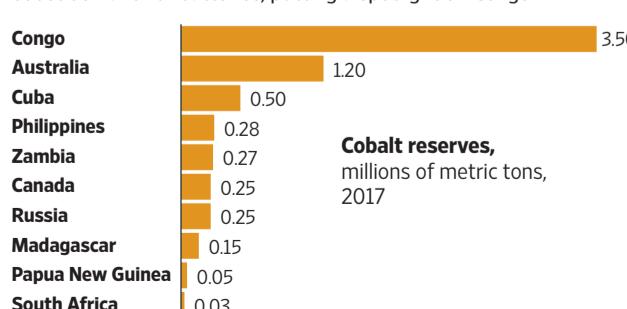
"I thought, how many other people has this happened to?" said Basil Diab, a Chicago financial-services professional who, after reading of the case, started a petition in 2016 asking for an investigation of Lincoln.

It garnered 3,500 signatures. When Mr. Pawar heard the verdict, he said, he had one thought.

"Finally!"

Prime Element

Cobalt prices have risen as sales of smartphones and electric cars boost demand for batteries, putting a spotlight on Congo.



Sources: U.S. Geological Survey

THE WALL STREET JOURNAL

Ferdinand Maubrey, a project director at RCS Global, a U.K. supply-chain-audit company overseeing the Better Cobalt project, says: "It's not about a perfect mine site, it's about showing what's going on at the mine site and showing continual improvement."

Other companies are exploring cobalt deposits in the U.S., Canada and elsewhere. Guaranteed creuseur-free cobalt is available from some big industrial-mining companies operating in Congo, but much industrial production is locked up for years in long-term contracts.

In a 2017 follow-up report, Amnesty applauded Apple's moves to weed out child labor from its supply chain, saying it is "the industry leader when it comes to responsible cobalt sourcing." It said VW hadn't addressed whether certain companies in its supply chain received cobalt from Congo.

The follow-up said: "Some of the richest and most powerful companies are still making excuses for not investigating their supply chains."

Chemaf and Umicore's relationship traces back decades. Mr. Virji, Chemaf's chairman, said the pharmaceutical company he started in Congo got a payment in the 1990s in an unusual form: cobalt. He found a trader to sell it to Union Minière SA, a Belgian mining company that in 2001 changed its name to Umicore.

In 2002, Congo rolled out a mining code seen as friendly to international mining companies, and Mr. Virji said he bought licenses to mine sites including Etoile, where creuseurs dug for metal. Mr. Virji eventually ejected the creuseurs and built a mechanized operation there. Umicore began focusing on chemicals production in the early 2000s and became one of the world's biggest cobalt consumers, including of Chemaf's production.

Mr. Virji said he bought creuseur-produced ore from licensed traders to supplement metal his mechanized facility produced. In 2014, he said, he bought Mutoshi from Congo's state mining company for \$52 million. Mutoshi, as now, was 100% creuseur-mined, he said. He considered evicting the creuseurs but decided instead to buy their production as a way to control them.

Until this year, children worked at Mutoshi alongside adults, said Chemaf's Mr. Melrose and creuseurs there. Children have been largely removed from the site, Mr. Melrose said.

Trafigura said it hired Pact to help Chemaf improve working conditions. "Controls around the human-rights impact are being introduced as we speak, and it's not without its problems," said James Nicholson, head of corporate responsibility at Trafigura.

Mr. Virji, Chemaf's chairman, at his house in Congo in May, said he was enjoying newfound success a year after nearly facing bankruptcy, having bought a Rolls-Royce for his second home in Dubai.

"I'm treating myself," he said.

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CHEVROLET



GREATER NEW YORK

Letitia James Wins Attorney General Nod

City public advocate could become first black woman to hold statewide office

By CORINNE RAMEY

New York City Public Advocate Letitia James won the Democratic nomination for state attorney general Thursday, positioning her to be the first black woman to hold statewide office if she wins in the November general election.

The Associated Press declared Ms. James the winner of the primary.

If elected as the state's top legal official, Ms. James, 59 years old, would make history on multiple fronts, including as the first woman elected as the state's top legal official. Yet she won the nomination as an establishment politician—she had the formal backing of Gov. Andrew

Cuomo and the state Democratic Party—at a time some voters have shown increasing interest in insurgent, antiestablishment candidates.

Ms. James, who is from Brooklyn, has previously been a member of the New York City Council and served as head of the attorney general's regional office in Brooklyn.

The attorney general race became unexpectedly competitive in May when former Attorney General Eric Schneiderman abruptly resigned following allegations he physically abused women, which he has denied.

Shortly after Mr. Schneiderman's resignation, Ms. James and three other Democrats jumped into the race: Leecia Eve, a Verizon executive; Rep. Sean Patrick Maloney, who represents parts of the Hudson Valley; and Zephyr Teachout, a Fordham University law professor.

Mr. Schneiderman's successor, Barbara Underwood, who was appointed, isn't running for the post.

Public sentiment in the pri-

MARY ALTAFFER/ASSOCIATED PRESS



HOLLY PELKETT/PRESS POOL



MICHAEL BROCHSTEIN/ZUMA PRESS

Clockwise from top left: Letitia James defeated Leecia Eve, Zephyr Teachout and Sean Patrick Maloney in the primary.

mary appeared to have shifted throughout the summer.

Ms. James was initially viewed as the front-runner. But Ms. Teachout and Mr. Maloney appeared to have gained ground in recent weeks. Ms.

James's establishment backing become a liability, with other candidates accusing her of lacking independence and being cozy with Albany.

A Siena College poll released earlier this week showed the

primary was a three-way contest, with 25% of likely Democratic voters saying they would cast ballots for Mr. Maloney, 24% would choose Ms. James and 18% would select Ms. Teachout.

Policywise, the four Democratic candidates have followed similar paths.

All four candidates pledged to root out corruption in Albany and fight Trump administration policies that they have said have harmed New Yorkers. The candidates also have supported changes to the criminal-justice system such as eliminating cash bail.

Ms. James will face Republican candidate Keith Wofford, a lawyer at Ropes & Gray LLP, in the general election Nov. 6.

In an interview Thursday, Mr. Wofford said he would fight corruption in Albany and wouldn't run the office "in a way that is hostile to business."

The winner of the general election will inherit an office of about 650 lawyers and more than 1,000 other staff, including investigators and assistants.

"The very first-most-important role for that office is, in a sense, to be a general counsel for the state of New York," said Eric Dinallo, who served in the attorney general's office under Eliot Spitzer. This includes defending and counseling state agencies and arguing legal issues in New York's courts, he added.

The office also has wide-ranging power to take legal action to protect consumers, civil rights, the environment and nonprofits. Under an unusual state law known as the Martin Act, the office has broad authority to investigate financial crimes.

"Historically, they are very aggressive," said Bernard Nash, co-chairman of a group at firm Cozen O'Connor that represents clients in their interactions with state attorneys general.

The New York attorney general election has created uncertainty among the business community, Mr. Nash said, because new senior staff in the office could have an impact on current investigations.

Insurgents Score Wave of Upsets In Senate Races

BY KATIE HONAN AND ZOLAN KANNO-YOUNGS

tering the race just days before the filing deadline.

Mr. Liu, who ran against Mr. Avella in 2014, was encouraged to run by several grass-roots organizations looking to unseat IDC members.

In Brooklyn, Zellnor Myrie beat Sen. Jesse Hamilton. And in upper Manhattan, Robert Jackson beat Sen. Marisol Alcantara.

Meanwhile, Julia Salazar, an insurgent Democratic candidate running for state Senate in Brooklyn who drew scrutiny over inconsistent statements she made during her campaign, also won her race in Thursday's primary.

Ms. Salazar, 27 years old, defeated incumbent Sen. Martin Malavé Dilan, 68, with 57% of the vote and 84% of precincts reporting, according to the Associated Press.

Inside the Well, a bar in Bushwick, Brooklyn, supporters cheered as she was declared the winner. She told supporters it was a "victory for the oppressed and marginalized in New York state."

Ms. Salazar capitalized on the momentum of Alexandria Ocasio-Cortez's surprise victory in June's congressional primary over Rep. Joseph Crowley, who represents parts of the Bronx and Queens. As Ms. Ocasio-Cortez, Ms. Salazar is a member of the Democratic Socialists of America and supports a single-payer health-care system, along with other progressive issues.

She also presented a compelling story of immigrating to the U.S. from Colombia and working throughout high school to support her family. However, her campaign had been overshadowed by inconsistencies in that narrative.

For example, her campaign has since said she was born in Florida. She also lost an endorsement from good-government group Common Cause over saying she graduated from Columbia University when she just attended the school.

A spokesman for Mr. Dilan said the loss was "very disappointing."

"We ran into a wave," spokesman Bob Liff said.

Mr. Paz knew undercover

Bill Lipton, president of the Working Families Party, said the sweeping victories would radically change the nature of politics in Albany.

"New York politics changed forever tonight," he said in a statement. "The IDC is dead. The center of gravity has shifted, and Andrew Cuomo will face a radically different Albany."

Five of six former IDC members representing parts of New York City lost their races Thursday. The only victor was Sen. Diane Savino, who represents parts of Staten Island and Brooklyn and won with 66% of the vote, according to the Associated Press.

In Queens, Jessica Ramos, a former staffer for Mayor Bill de Blasio, defeated Sen. Jose Peralta.

John Liu, the former comptroller and city councilman, beat Sen. Tony Avella after en-

Celebrities Come Together at City Hall



PEACE OUT: Yoko Ono, left, Ringo Starr, center, and actor Jeff Bridges participated in the fifth annual Come Together: NYC Bed-In celebration to support New York City schools and to promote the return of the John Lennon Educational Tour Bus on Thursday.

DA: Ex-Detective Ran Brothels With Inside Help

BY ZOLAN KANNO-YOUNGS

A retired New York Police Department vice detective used his experience investigating prostitution rings to run his own set of brothels that earned more than \$2 million and relied on seven active police officers for protection and tips about upcoming raids, authorities said Thursday.

Ludwig Paz, 51 years old, was arraigned Thursday in Queens Supreme Court on charges of promoting prostitution and enterprise corruption, according to the Queens District Attorney's Office. Prosecutors said his wife was also charged with helping to operate the prostitution and gambling ring, which included brothels in Brooklyn and Queens.

Prosecutors said Mr. Paz, a 20-year veteran of the NYPD who retired in 2010 "on good terms," used the very skills he learned while a member of the vice squad to avoid being caught in an undercover sting.

Mr. Paz knew undercover

officers weren't allowed to show their genitals during interactions with prostitutes so he required "new clients to undress and allow themselves to be fondled to pass the brothel's security screening," Queens District Attorney Richard Brown said in a statement.

Mr. Paz is also accused of paying for confidential information from contacts in the NYPD to protect the operation. Deputy Commissioner of Internal Affairs Joseph Reznick said all of the officers charged in the case had sex with the prostitutes, while on and off duty. He said one officer, whom he didn't name, provided Mr. Paz a photograph of an undercover informant.

"If a book was ever written about this case, I would probably name it 'Loyalty' or 'Disloyalty Versus Friendship' because that's what it came down to," Mr. Reznick said at a news conference Thursday.

The seven active NYPD officers accused of assisting Mr. Paz were also arraigned Thursday.

Brooklyn South Vice Detective Rene Samaniego, 43, Sgt. Carlos Cruz, 41, and Detective Giovanny Rojas Acosta, 40, allegedly tipped off Mr. Paz on investigations into prostitution, according to Queens prosecutors. They face enterprise corruption charges.

Another officer, Giancarlo Raspanti, provided confidential information from department computers in exchange for dis-

Seven active police officers accused of assisting the ring were also arraigned.

counted sex from the prostitutes, prosecutors said. He was charged with receiving a reward for official misconduct.

Sgt. Cliff Nieves, 37, and his brother, Officer Steven Nieves, were charged with promoting prostitution by using one of the

brothels to host a bachelor party for at least 15 guests, according to prosecutors. Another sergeant, Louis Failla, is accused of informing Mr. Paz of potential raids. He was charged with official misconduct.

Attorneys for the Nieves brothers, Sgt. Cruz, Sgt. Failla and Detective Acosta didn't respond to requests for comment. Attorneys for Mr. Paz, his wife and the other officers couldn't be reached for comment.

In addition to the officers, police arrested 26 civilians, including Mr. Paz and his wife, in connection with the alleged ring. Mr. Reznick said police were still looking for 13 civilian suspects and gathering information about more officers.

The operation took in more than \$2 million between August 2016 and September 2017, prosecutors said.

Commissioner James O'Neill said Thursday the suspects "tarnished the NYPD shields they wore."

"Am I angry?" he asked. "Of course I'm angry."



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GREATER NEW YORK

Knicks Star Takes Aim at Charter

BY LESLIE BRODY

New York Knicks great Earl "the Pearl" Monroe and fellow basketball lovers want a shot at opening an unusual charter high school devoted to the game.

They aim to use basketball to draw New York City teenagers into academics and expose them to potential careers in the sports industry, including scouting, coaching, nutrition, marketing, finance and law. Only some students would play on school teams.

David Stern, former commissioner of the National Basketball Association, would be on the board, according to its June application to the SUNY Charter Schools Institute. Dan Klores, a film director whose work often has focused on basketball, would be a founder.

352

Number of students who eventually would attend the Bronx school.

Mr. Klores declined to comment until a state oversight committee decides Oct. 4 whether to approve the plan.

It could be a slam-dunk. Joseph Belluck, chair of the charter schools committee of the SUNY trustees, said he expects his group to vote yes, barring any problems surfacing. "There's a limited number of kids who ever make it in professional sports," he said. "To have a program that lets other kids interested in these things find career paths is vitally important."

The proposal for the Lewis Katz New Renaissance Basketball Academy Charter School says most of its students likely will be poor and black or Hispanic, reflecting its South Bronx neighborhood. "By any measure, there is tremendous need in this community for better educational options," the proposal says, "as well as the more intangible need for

hope and inspiration."

If it opens as planned in the fall of 2020, the 73-year-old Mr. Monroe, who grew up in Philadelphia and played guard on the Knicks team that won the 1973 NBA championship, would join a cast of celebrities who helped open charters. Music mogul Sean "Diddy" Combs started one in Harlem two years ago.

Supporters of charter schools, which are taxpayer-funded and independently operated, say they offer innovation outside the red tape and other constraints of district bureaucracy. Most charters aren't unionized.

Critics say charter schools siphon money and space from district schools.

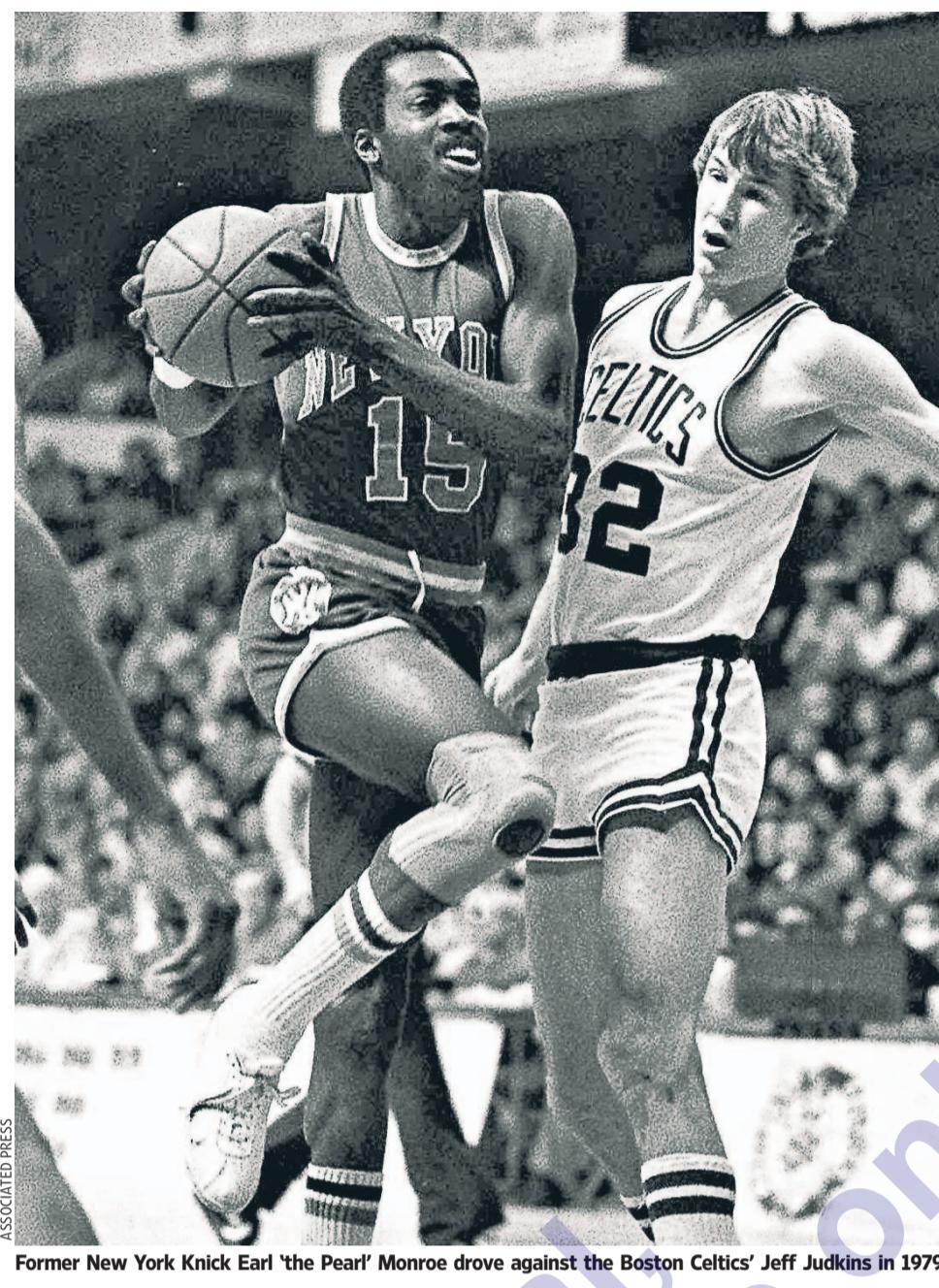
Many advocates for traditional public schools praised LeBron James, star of the Los Angeles Lakers, when he opened his "I Promise School" for at-risk children last summer in his hometown of Akron, Ohio, in collaboration with the local district.

The basketball charter would be named for the late Lewis Katz, co-owner of the Philadelphia Inquirer newspaper, as well as sports teams. The school's board hasn't settled on a site, but is working with a developer to convert a private facility. It would start with 88 students and grow to 352. Applications would get in by lottery.

The proposal said the school expects guidance from New Visions for Public Schools, a nonprofit with experience running charters.

A district high school that also tries to motivate students through sports, Careers in Sports High School in the Bronx, has had trouble with attendance and low performance, according to city data. About 72% of its ninth-graders graduated in four years, slightly behind the city-wide rate. Its principal couldn't be reached for comment.

The SUNY committee will be judging other unusual proposals next month including Wildflower New York Charter School in the Bronx, which would take a Montessori approach.



Former New York Knick Earl "the Pearl" Monroe drove against the Boston Celtics' Jeff Judkins in 1979.

Other Celebrities Open Schools

Former New York Knicks star Earl "the Pearl" Monroe hopes to help start a charter school in the South Bronx. Other celebrities who started schools include:



◆ Music mogul **Sean "Diddy" Combs**—Harlem

◆ Former basketball player **Jalen Rose**—Detroit

◆ Rapper **Pitbull**—Miami

◆ Tennis ace **Andre Agassi**—Las Vegas (left)

◆ Los Angeles Lakers star **LeBron James** collaborated with the local district to open a school for at-risk children in Akron, Ohio.



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GREATER NEW YORK WATCH

STUYVESANT HIGH SCHOOL

Students Injured In Escalator Incident

Ten students at Stuyvesant High School were sent to Manhattan hospitals for treatment of minor injuries Thursday afternoon after an escalator incident, fire department officials said.

City Department of Education officials said the injuries were not life-threatening from the "serious incident involving an escalator," but declined to elaborate on its cause.

"We're providing the school, students and families with additional support and will conduct an investigation," a department spokeswoman said by email.

Stuyvesant is among the prestigious specialized high schools that admit students by a single exam.

—Leslie Brody

RETAIL

Henri Bendel to Shut All 23 of Its Stores

Henri Bendel, the specialty retailer known for its signature brown-and-white bags, is shutting down after more than a century in business.

L Brands, which acquired the retailer in 1985, said it will close all 23 Henri Bendel stores, including its Fifth Avenue location, and its website after the holiday season. The company said it plans to focus on its larger businesses including Victoria's Secret, which has struggled in recent quarters.

"We have decided to stop operating Bendel to improve company profitability and focus on our larger brands that have greater growth potential," said Leslie Wexner, chairman and CEO of L Brands, which also owns Bath & Body Works.

Henri Bendel, a designer born in Lafayette, La., opened his first shop in 1895 in Greenwich Village. He sold apparel, fragrances, cosmetics and handbags and created the store's iconic bag.

—Khadeeja Safdar

LIFE & ARTS



Richie Merritt and Matthew McConaughey in 'White Boy Rick'

SONY PICTURES

FILM REVIEW

Trafficking Drugs, Guns and Info

The true story of Rick Wershe Jr., a mid-'80s Detroit teenager who went from gun dealer to informant to drug dealer to inmate

BY JOHN ANDERSON

A lot of deals go down, and go bad, in "White Boy Rick," but the one that really goes awry is the one with the audience. When a viewer endures a certain amount of unpleasantness, bad taste and squalor, said viewer expects to be rewarded. A payoff. A reason. It doesn't always have to be moral redemption. Or justice prevailing. Or something sparkingly cinematic. Just something that explains why one invested one's time.

What one gets in the crime-and-grime story of "White Boy Rick"—the tale of Rick Wershe Jr., mid-'80s Detroit teenager who went from gun dealer to informant to drug dealer to inmate—is a schlep through the seedy, violent streets, alleys and crack dens of a neglected American city and into some-

thing less than a jackpot of dramatic satisfaction. Written by Logan Miller, Noah Miller and Andy Weiss, it is based on a true story, which despite the belief of some screenwriters doesn't necessarily provide an excuse for lackluster drama. And speaking of deals, what's with the leading man? Making his film debut, Richie Merritt plays Rick as a sullen, evidently stupid and certainly uncharismatic schemer in possession of a modicum of animal cunning and perhaps a hint of personal insight. But there's no life in his eyes. And little life in his acting.

Which is too bad for Matthew McConaughey, who gives yet another terrific performance, this time as Richard Wershe Sr., habitual hustler, shifty weasel, low-level participant in the lucrative/epidemic illegal gun trade of Detroit, and a chronic loser: You can hear it in his patter. You can see it in his eyes. You even pick it up from the

way Mr. McConaughey carries himself, with a kind of leaning in, as if he's making a perpetual bad argument. It is, however, a classic supporting performance, and there's very little to support.

White Boy Rick, as he's called by the overwhelmingly black population of Detroit's drug gangs, attains his initial entrée into the world of big-time crack dealing by selling cheap AK-47s with silencers. The number of guns at large in the Detroit of this movie might be enough to disturb even NRA members, and that may be the intention. But what else is young Rick to do? His sister (Bel Powley) is a junkie; his grandparents (Bruce Dern and Piper Laurie) somehow missed out on the white flight of the '60s. Given Rick's penetrating intelligence, crime seems the obvious career choice.

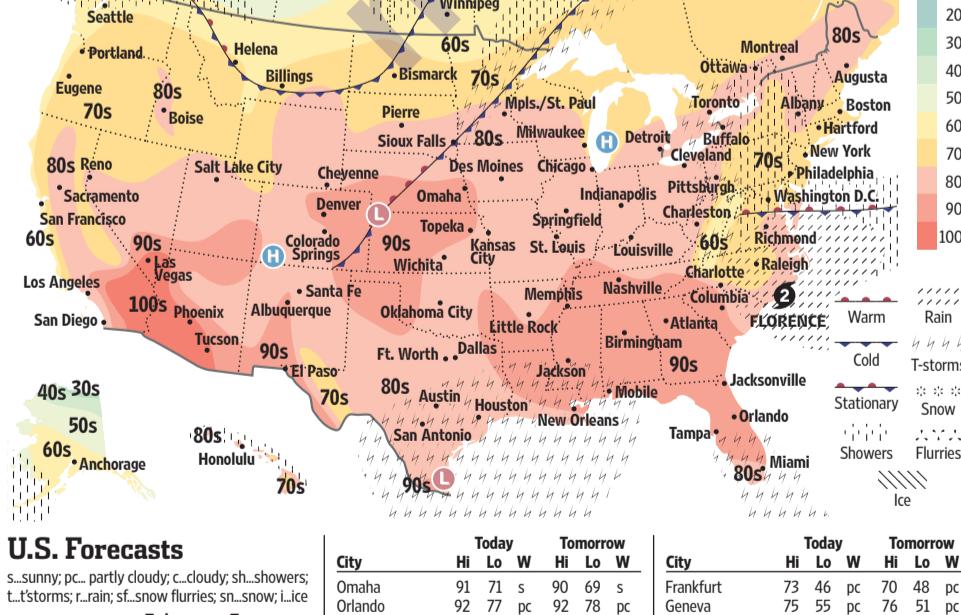
So does informing, once WBR is presented with that option by a pair of feds (Jennifer Jason Leigh, Rory Cochrane).

They're threatening dad with a gun rap, but young Rick crosses the Rubicon without any real crisis of conscience. He doesn't give it much of a thought. He might not have one.

Director Yann Demange creates moments of visual electricity—a near car crash involving the two Ricks is a hallucination. And he's capable of mining poignancy out of chaos, as he did in "71" (2014), which took place in another bombed-out city, Belfast of the 1970s. There's a scene in which young Rick, dressed in a tuxedo for the wedding of a drug kingpin (Jonathan Majors), is instructed by his father how to snap his cuffs—make the shirt cuffs show below the jacket sleeves. It's a father passing knowledge to his son. It might not be profound, but it's real, even tender. And one of the few moments of education in the movie.

—Mr. Anderson is a Journal TV critic. Joe Morgenstern is on vacation.

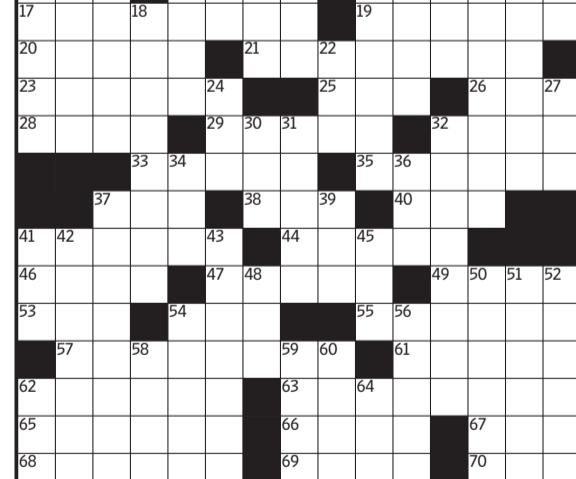
Weather



U.S. Forecasts

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	64	51	pc	60	52	pc
Atlanta	92	74	pc	91	73	s
Austin	84	74	t	86	73	r
Baltimore	77	68	sh	79	67	sh
Boise	80	52	s	81	48	s
Boston	73	59	pc	77	63	pc
Burlington	84	66	s	84	67	c
Charlotte	85	72	c	77	71	r
Chicago	82	64	s	82	67	s
Cleveland	84	70	pc	83	69	pc
Dallas	88	74	t	86	74	pc
Denver	92	57	s	92	60	s
Detroit	81	66	pc	83	68	s
Honolulu	88	75	pc	87	76	sh
Houston	84	75	t	89	75	t
Indianapolis	84	67	s	85	69	pc
Kansas City	88	68	s	88	65	s
Las Vegas	100	77	s	101	77	s
Little Rock	89	71	pc	90	69	s
Los Angeles	87	65	s	84	64	s
Miami	88	77	t	90	77	sh
Milwaukee	77	62	s	77	67	s
Minneapolis	85	73	pc	89	71	pc
Nashville	91	73	s	90	69	s
New Orleans	91	77	t	78	78	s
New York City	76	66	c	77	66	pc
Oklahoma City	87	69	pc	85	68	pc
International						
City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	64	53	pc	64	52	pc
Athens	83	69	dc	86	68	s
Bahrain	115	81	s	107	78	s
Bangkok	89	76	t	90	78	t
Beijing	83	66	pc	79	60	pc
Berlin	69	55	pc	68	51	pc
Brussels	67	51	pc	66	51	pc
Buenos Aires	67	57	pc	67	55	r
Dubai	109	90	s	109	88	s
Dublin	60	59	sh	61	56	c
Edinburgh	58	42	sh	59	50	c
Zurich	73	54	c	71	48	pc

The WSJ Daily Crossword | Edited by Mike Shenk



FOLLOW THE MONEY | By Matt Gaffney

- The answer to this week's contest crossword is an adverb describing how you need to solve it.
- Across**
- 1 ___ Vegans
 - 4 Glimpsed
 - 8 Misled
 - 14 Director DuVerney
 - 15 Title role for Angelina
 - 16 Menu selection
 - 17 Obsessive-compulsive, e.g.
 - 19 Situated on a plane
 - 20 Overall makeup
- Down**
- 1 Local news hour, often
 - 23 Tied for present use, say
 - 25 Like fire extinguishers
 - 26 Brain power
 - 28 Nothing special
 - 29 "To put it another way..."
 - 32 Event ending in a no-limit hold'em game, for short
 - 33 Hot peninsula
 - 35 Sends up
 - 37 Address component, these days
 - 38 Breakfast burrito ingredient
 - 40 Lodge
- Email your answer—in the subject line—to crossovercontest@wsj.com by 11:59 p.m. Eastern Time Sunday, Sept. 16. A solver selected at random will win a WSJ mug. Last week's winner: Ylaine Gerardin, Cambridge, MA. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)
- 69 Guesses for airport pickups
70 Little batteries
- 31 Pieces of ___ (old coins, and a double hint about how to follow the money)
32 1980 tribute album to R&B great Stevie
34 "Give ___ rest!"
36 Apple or cherry, e.g.
37 He played Robbie Douglas on "My Three Sons"
39 Oozy stuff
41 Org. behind many checked bags
42 Like toads, vis-à-vis frogs
43 Nervous folks
45 ___ Park (where the Pirates play)
48 Texted snicker
50 Formidable
51 Letter after Romeo
52 "Of course!"
54 Use the zoom
55 Blotter bit
58 Role in "Young Frankenstein"
59 Top-of-the-line
60 Judge's order
62 BHO's predecessor
64 23andMe stuff
- Previous Puzzle's Solution
- | | | | | | | | | | | | |
|---------|--------|--------|------|----|----|----|----|----|----|----|----|
| W | H | A | M | C | R | A | D | L | E | S | S |
| HA | PEA | LED | SAT | I | RA | DE | SL | AT | PA | PT | AP |
| PEAL | ED | SATI | ATE | RE | RA | DE | SL | AT | PA | PT | AP |
| AL | RETI | RE | PI | TA | LA |
| RETIRE | RE | PI | TAKE | LA |
| MOVE | IN | LA | LA | LA | LA | LA | LA | LA | LA | LA | LA |
| AMIDST | ANS | TAKE | LA | LA | LA | LA | LA | LA | LA | LA | LA |
| POL | PEN | ABOUND | LA | LA | LA | LA | LA | LA | LA | LA | LA |
| RIGGED | D | LIVES | LA | LA | LA | LA | LA | LA | LA | LA | LA |
| TERESA | I | REL | IRS | LA |
| AINIL | USD | ALANON | ENDO | LA |
| HINTER | EL | KIDNEY | ENDO | LA |
| CANASTA | ORATED | BEAD | ENDO | LA |
| SPOILER | KIDNEY | BEAD | ENDO | LA |
| UPGRADE | BEAD | ENDO | LA | LA | LA | LA | LA | LA | LA | LA | LA |

PUZZLE CONTEST

LIFE & ARTS

THEATER REVIEW | By Terry Teachout

Reviving the 'Useless Futile Creatures'

A challenging Shaw play benefits from a much-needed tightening

BY TERRY TEACHOUT

New York

DAVID STALLER is best known as the artistic director of Project Shaw, a series of semistaged concert readings of the 60-odd plays of George Bernard Shaw that he has presented monthly in Manhattan since 2006. But he has also directed fully staged off-Broadway versions of several Shaw plays, including the Irish Repertory Theatre's 2012 revival of "Man and Superman" and a 2016 production of "Widower's Houses" mounted in collaboration with the now-defunct, lamented TACT/The Actors Company Theatre, both of which were not merely excellent but exceptionally memorable. Now Mr. Staller has taken on "Heartbreak House," one of Shaw's most challenging plays, with altogether extraordinary results.

"Heartbreak House" was long one of Shaw's least popular plays, mainly because of its verbosity (the 1920 premiere ran for more than four hours). Since it went out of copyright, though, it's come to be staged more often in the U.S., in part because, like "Hamlet," it can now be cut to a manageable length. This also allows directors to put a personal spin on Shaw's acid portrait of the Shotovers, a family of haute-bourgeoisie eccentrics whose members, for all their charm, are (as one of them puts it) "useless futile creatures" who decline to do anything to fix the corrupt, unjust Vicardian society in which they live. Instead, they look on placidly at the German planes that bomb their country villa at play's end, all but cheering as their cozy world is pulverized.

Unlike the other "Heartbreak Houses" that I've reviewed, all of which were essentially traditional in approach, this version, which

runs for a coruscating two hours and 40 minutes, is a conceptual staging, one whose ingenious framing device intensifies the effect of Shaw's text instead of smothering it. Inspired by a wartime performance of the play in which Hermione Gingold took part during the London Blitz of 1940, it is set in a theater basement that has been lined with sandbags and turned into an air-raid shelter. As the sirens howl, the occupants of the theater take cover, and the actors who had been performing upstairs now entertain their captive audience by improvising a version of "Heartbreak House" using the props stored in the shelter.

Doing "Heartbreak House" in this way requires a perfectly believable set, and Brian Prather and Toby Algya, the scenic and sound designers, deliver the goods, turning the Lion Theatre into an exact replica of a cluttered London bomb shelter. It also helps to have a high-quality ensemble cast, and Mr. Staller has put together a team of eight actors led by Karen Ziemba, most of them veterans of the New York stage, who convincingly suggest the different kinds of acting styles you'd have expected to see in London in 1940 (with Alison Fraser giving a naughty nod to Gingold herself). The most original performance is that of Derek Smith, who is cast as Boss Mangan, an industrialist whose life is turned inside out when he pays a visit to Heartbreak House. He plays Mangan not as a wealthy boor but as a puzzled, preoccupied man of sharp intelligence who



CAROL ROSEGG

Tom Hewitt and Alison Fraser in George Bernard Shaw's 'Heartbreak House'

peal so powerfully to latter-day directors. Yet Mr. Staller wisely declines to draw explicit political parallels of any kind. The only hint that he might possibly have the present moment in mind is a copy of an actual morale-building poster from World War II that is discreetly hung at the entrance to the shelter: "Freedom Is in Peril / Defend It With All Your Might." The rest is left to you to figure out. For as Mr. Staller knows well, the trick to bringing "Heartbreak House" to life is to keep firmly in mind that it is a quicksilver drawing-room farce—but one with a shattering dark ending. Indeed, his revised and abridged version of the play, trimmed with gratifying skill, points up the similarities between Shaw's play and "The Importance of Being Earnest" (as well as the way in which Shaw foresaw Noël Coward's domestic comedies of bad manners).

Mr. Staller has given us a uniquely satisfying production of this great but hard-to-stage play, one that ranks alongside Eric Tucker's 2012 Bedlam revival of "Saint Joan" as one of the two finest Shaw stagings of the past decade. Do not miss it.

Heartbreak House
Gingold Theatrical Group, Lion Theatre, Theatre Row, 410 W. 42nd St. (\$69), 212-239-6200, closes Sept. 29

Mr. Teachout, the Journal's drama critic, is the author, most recently, of "Billy and Me." Write to him at tteachout@wsj.com.

TELEVISION REVIEW | By John Anderson

Adult Emotions on Children's TV

EVERY PBS-WATCHING tot in the fictional America of "Kidding" knows the words to the theme song: "You can feel / Anything at all / Anything at all / You can feel it..." For 30 years, the slightly askew host of "Mr. Pickles' Puppet Time" (Jim Carrey) has been encouraging kids to embrace their feelings. Now, his own feelings have him in a death grip.

That may sound extreme, but Mr. Carrey's performance would be just as plausible were he playing a serial killer rather than Mr. Pickles, aka Jeff Piccirillo, the sensitive, shattered, middle-aged TV guru with the too-black pageboy and the look of a haunted house. "Kidding," created by Dave Holstein ("Weeds"), reunites Mr. Carrey with director Michel Gondry ("Eternal Sunshine of the Spotless Mind"), making it feel like something of a two-headed comeback. It's certainly a triumph for both. But much of the show's brilliance also lies in the way it plays on our twisted suspicion that behind every delightful, innocent children's character lies some form of post-traumatic stress disorder (with the exception of Fred Rogers, of course, even though "Mister Rogers' Neighborhood" inspires much of the "Puppet Time" vocabulary).

The national influence of Mr. Pickles is neatly and very comically summed up in a scene opening episode 2 (which airs Sunday; the show premiered on cable Sept. 9). Car thieves smash into Jeff's wood-sided SUV and drive it to a chop shop. Only after the car is halfway dismantled does the chief of operations discover Uke-Larry—a principal if inanimate member of the "Mr. Pickles" cast—in the rear. No, no, no, the car thief says, aghast: He's grown up on the show like everyone else. The vehicle is immediately reassembled and delivered back to its parking spot, Mr. Pickles being none the wiser.

Like a kid's show, "Kidding" wanders off here and there in order to maintain our strict attention, and the digressions are part of what makes the show work as well as it does—a steady rain of caustic humor on an

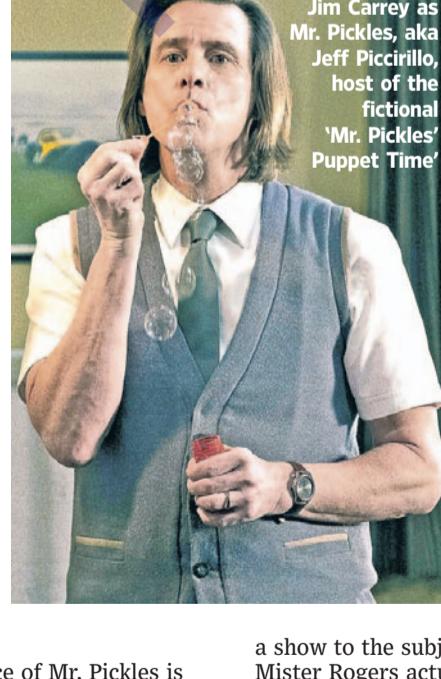
untroubled sea of grief. Shortly before we met all the Piccirillos—including Jeff's father, Seb (Frank Langella), the wryly cynical producer of "Puppet Time," and Jeff's sister, Deirdre (Catherine Keener), who's the Frank Oz of the operation—there was a tragedy: Phil Piccirillo, one of Jeff's identical-twin sons, was killed in a car crash. Jeff has since separated from his wife, Jill (Judy Greer). The surviving twin, Will (the beautiful and hilarious Cole Allen), treats his dad like a dork. "You look like Rosa Parks's bus driver," he tells Jeff, in his windbreaker, white shirt and tie. Jeff compliments Will on a sharp historical reference. He always maintains a façade of Muppet-like cheerfulness. It's heartbreaking.

Jeff's mourning isn't the only issue plaguing the characters in "Kidding," though it is Jeff's story—neither Jill nor Will is given much space for their own grief (something that may, and should, be explored as the 10-part season continues), though their largely unspoken loss provides tension.

Only four episodes were available for review, but what's developing is a comedy jewel, albeit one wrapped in a shroud. Jeff tries to work through his trauma on air: He tries to devote a show to the subject of death, something Mister Rogers actually did. Seb fights him every inch of the way: Mr. Pickles, after all, earns multimillions in endorsements, public television be damned. Also, they can't do a show about transgender youth, he says. "What's next? Bi Little Pony?"

Seb's edginess is nothing next to that of Will's science teacher, the bedraggled Mrs. Drinkwater (Annie Korzen), who, in one of those off-topic moments, explains to her class, wearily, the difference between liquids, solids and gases. "Lemon juice is a liquid. Lemons are a solid. Zyklon B is a gas." Everyone's depressed to some degree in "Kidding." The miracle is that the show is so moving. And, even better, so funny.

Kidding
Sundays, 10 p.m., Showtime



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SPORTS

FOOTBALL

A PENALTY SURGE IN THE NFL

Week 1 games averaged 15.9 accepted penalties per game—amid new safety rules

BY ANDREW BEATON

A dream matchup pitting the reigning Super Bowl champion Philadelphia Eagles against the previous year's runner-up, the Atlanta Falcons, was supposed to be a celebration of the NFL's opening day. Instead, it marked a different kind of occasion: Flag Day.

The 26 penalties in the Eagles' win on Sept. 6 were a historical outlier—the second-most ever for a game in an opening week. Yet as Week 1 of NFL play rolled out over the coming days, the game looked less and less like an outlier. This year's openers featured an unusually large load of yellow laundry littered on NFL fields.

Week 1 games averaged 15.9 accepted penalties per game. Though it's just a one-week sample, it's an astronomical figure compared with previous norms. This year's figure is a 19% spike over last year, and higher than any full season in the last two decades. (And, in case you're wondering if teams tend to be sloppier at this time of year, there's no meaningful indication that there are usually more penalties during the first week.)

For the NFL, this comes at a vexing moment. Prime-time ratings for the season's first week continued to tumble from recent years, with drops for the rain-delayed opener, and both Sunday and Monday nights' games. And presumably not many people enjoy

turning on games to see them constantly interrupted by officials.

Part of the issue is that the league implemented rule changes before the season to protect players, as part of its stated efforts to make football safer. Chief among the changes is a new rule that prohibits players from lowering their heads to initiate contact.

But those same rules have drawn the ire of fans, players and coaches for toning down the violent nature of the game.

19%

The increase in penalties during Week 1 compared with last season

These controversial new rules accounted for part of this increase, but not necessarily because of the helmet rule. While the new helmet rule was whistled 60 times in the preseason, according to ESPN Stats and Info, it resulted in just one penalty in Week 1.

Instead, another new rule turned out to be perhaps more confusing and frustrating in the first week of games. That rule says defensive players can't land on quarterbacks with their full body weight. Again, this was designed to protect players. Still, it is proving befuddling because its critics

say it's antithetical to basic tackling fundamentals, which involve using one's body to take an opposing player to the ground.

There were five such penalties last week—including one that the NFL's chief official says was called incorrectly. That came during a crucial moment in the Cleveland Browns game against the Pittsburgh Steelers. Browns defensive end Myles Garrett, the No. 1 pick in the 2017 draft and one of the league's best rising pass rushers, took down Steelers quarterback Ben Roethlisberger on third-and-7, with the pressure leading to an incompletion. Garrett, afterward, was whistled for the flag under the new rule.

So instead of facing fourth-and-7 and being forced to kick a field goal, Pittsburgh scored a touchdown on the next play. The game ended in a 21-21 tie.

"Even though there is some body weight on [Roethlisberger]," Al Riveron, the NFL's head of officiating, told NFL.com, "this is not what we would consider contact that rises to the level of a foul."

A league official said the league has no plans to revisit the rules in response to the first week's surge in penalties and that roughing the passer is a point of emphasis after many clubs during the off-season indicated to the Competition Committee that they wanted protecting quarterbacks to be a priority.

In total, 5.9% of the penalties called in Week One were for



Referee John Hussey and his crew called 26 penalties in the NFL's opening game between the Atlanta Falcons and the Philadelphia Eagles.

ANDY LEWIS/ICON SMI/ZUMA PRESS

roughing the passer. Only 3.1% of penalties were for roughing the passer over the course of the 2017 season, according to Stats LLC, and marked the most significant growth of any variety of penalty versus last season.

For the league, this could be a resurgence of a trend. From 2008 to 2015 penalties per game rose from 11.20—the lowest in the last two decades—to 13.85 amid previous points of emphasis and changes, including ones designed to protect the quarterback and discourage dangerous hits. But in

2016 and 2017, the rate dropped by about half a penalty per game.

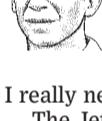
It's possible the flood of penalties last week was nothing more than a season-opening blip. It's also possible these numbers could decrease as players become accustomed to the new rules.

But it's also possible this could buoy headwinds the league has tried to thwart. Namely, penalties take time. Officials confer, players and coaches complain and then the penalty gets announced. And now there may be more of them to make games take even longer.

NFL | By Jason Gay

The Jets May Be Good. This Is Bad.

New York's forlorn team may have a bright future. Who are we supposed to make fun of now?



Friends, I'm worried. The New York Jets may turn out to be a reasonably good football team.

This is a disaster.

I really need the jokes. The Jets have been such a reliable source of sports comedy over the years. They're regularly one of the worst-performing teams in football. They're the inventors of the Buttumble. They drafted Ken O'Brien over Dan Marino. Bill Belichick quit as head coach before he began.

Even when they're good—and the Jets had a nice run not long ago with Rex Ryan, aka Magic Khakis, who twice took them to the doorstep of a Super Bowl—they're reliably hilarious. Especially when you compare them to their stadium roommates, the New York Giants.

The Giants are the uncle who takes you to lunch at his club and asks you what you want to do with the rest of your life. The Jets are the uncle who picks you up from school and teaches you how to steal a Trans Am.

The Jets make me so happy. I've really come to rely on them. Whenever a pathetic hack like me needs an easy joke, the Jets are there. Just when you think the world is getting too serious, the Jets drive their clown car off a diving board.

But I'm panicking. The Jets appear to be turning it around. Monday night, in their season opener, they walloped Detroit on the road, 48-17. You would have thought they'd won the Super Bowl. Jets fans were running in the streets and kissing strangers. If they'd held a parade down the Canyon of Heroes, I think a million Jets fans would have shown up.

Yes: the Jets have had decent starts before, only to set fire to their shoelaces. What makes this different is the man in the middle: 21-year-old rookie quarterback Sam Darnold, who became the youngest NFL player in the modern era to start a season opener. I'm barely exaggerating when I say Darnold may now be second-most popular Jet of all time, after Joe Namath, and if I were Joe, I'd be shivering in my full-length fur coat.



JOSE JUAREZ/ASSOCIATED PRESS (2)

Above, Jets quarterback Sam Darnold has brought optimism to New York. Left, Leonard Williams celebrates with fans.

it out a window, I would not have blamed them.

But then the game turned. Darnold bounced back and led New York on a touchdown drive to tie the contest. In the third quarter, the Jets really piled on, scoring 31 points and leaving the Lions on the floor.

It was probably the best Jets win since Magic Khakis's team stuck it to the Patriots and Grumpy Lobster Boat Captain Belichick in the playoffs in 2011. That team had Mark Sanchez as quarterback, pre-Buttumble.

That playoff run was sweet. But Darnold looks like future the Jets always wanted.

It helps that the Jets are rebuilding in a low-key, un-Jetsy way. Head coach Todd Bowles is not Rex, not a sound bite waiting to happen. The general manager, Mike Maccagnan, appears to have a plan beyond appeasing talk radio and the back page of the Post. Owner Woody Johnson is currently the ambassador to the United Kingdom, and has handed over control to his brother, Christopher. Admit it: You have no idea

what Christopher Johnson looks like.

So it's a little strange around New York. We're not used to optimism from Jets fans. It's weirder than humble Yankee fans.

Yes: I know this is one game. There's nothing more Jetsy than flying off the handle after one win. The Jets could lose four in a row and all that optimism could come crashing down.

My column would look moronic. It wouldn't be the first time.

But I have to tell you, this is unsettling. I don't know what I'm going to do if the Jets become reliably good. It will be heartbreaking, like saying farewell to an old friend.

What football team am I supposed to make fun of now?

The Cleveland Browns? You have to be kidding me. Didn't you see the Tie Heard 'Round the World? The Browns are 0-0-1. It's (not kidding) their best start in 14 years. I've penciled them in for the AFC title game.

Probably against the Jets. I'd laugh, if I wasn't crying.

THE COUNT

THE USAIN BOLT OF QUARTERBACKS

This weekend, the Patriots face the Jaguars and one of the most unstoppable forces in the NFL's history. He's big. He's elusive. He's hard to tackle.



Believe it or not: Blake Bortles is one of the most dangerous running quarterbacks ever. Bortles isn't quite the prototypical scrambler. He's 6-foot-5 and coming out of college ran the 40-yard dash in 4.93 seconds, which places his speed closer that of offensive linemen than wide receivers. He doesn't take off with the ball very often.

But when he does, he's a force unlike any other under center currently in the NFL. His 6.4 yards per carry are third all-time in the Super Bowl era among quarterbacks with at least 200 career carries. That places him behind only Michael Vick and Bobby Douglass, and ahead of noted players such as Randall Cunningham, Colin Kaepernick and Steve Young. During last weekend's win against the Giants, Bortles ripped off his longest ever run of 41 yards.

Patriots coach Bill Belichick explains Bortles's success simply: "He's hard to bring down."

Unlike his counterpart Sunday, Tom Brady, Bortles isn't usually known for being the best at things. He almost lost his job before last season, which is also when a Twitter account, run by miserable Jaguars fans, became hugely popular for its "facts" poking fun at him. Then, to the surprise of those same fans, he played some of the best football of his career and nearly reached the Super Bowl.

What makes Bortles so different and so often dangerous is that he doesn't run very often. Bortles averages only 23 rushing yards per game, which is nothing near Vick's 42.7. When he does run, however, he picks his spots and executes. Of his 224 career runs, 42% have produced a first down or touchdown. For some comparison, the Rams' Todd Gurley—arguably the NFL's best running back—has done that on only 21.3% of rushes during his career. Vick did that on 39.5% of his runs.

There's also reason to believe his wheels could make the difference Sunday. The Jaguars nearly beat the Patriots in last year's AFC Championship game, falling 24-20. They were also missing a key element to their attack: Bortles's legs. He didn't attempt any scrambles in the game. —Andrew Beaton

The Running Man

The quarterbacks with the highest yards per carry in the Super Bowl era (min. 200 carries)

PLAYER	YARDS/CARRY
Michael Vick	7.0
Bobby Douglass	6.47
Blake Bortles	6.4
Randall Cunningham	6.36
Greg Landry	6.17
Colin Kaepernick	6.13
Robert Griffin III	6.07
Steve Young	5.87

Source: Pro-Football-Reference

OPINION

How Republicans Could Still Win



POTOMAC WATCH
By Kimberley A. Strassel

This was a week of gloomy midterm polls for the Republican Party, with a wave of results projecting a Democratic takeover of the House and maybe even the Senate. But not all polls are created equal. If Republicans bother to read just one, it should be a yet-unreleased survey that tells a more nuanced story.

The data come courtesy of the Club for Growth, a conservative outfit that plays to win. The club's donors expect it to place smart bets in elections, which it can't do if it relies on feel-good data. It uses WPAI, the data firm that in 2016 found Wisconsin Sen. Ron Johnson really did have a shot at re-election, then crafted the messages that got him the money and votes for victory.

WPAI just handed the club in-depth polling of the people who matter most this midterm—1,000 likely voters in 41 competitive House districts. The results are quietly making their way to Republican leaders, and the club agreed to give me an advance look. Bottom line: Many of these races are winnable—if Republicans have the courage of their convictions and get smarter in tailoring their messages to voters.

On the surface, the results mirror other recent polls. President Trump has a net-negative approval rating

across these districts, with his unfavorable ratings notably high among women (57%), independents (58%) and suburban voters (52%). Those who answered prefer a Democratic Congress that will check Mr. Trump (48%) to electing Republicans who will pass his agenda more quickly (42%). The biggest alarm bell is the 12-point enthusiasm gap—with 72% of Democrats “very interested” in this election, compared with 60% of Republicans. In suburbia, the 12-point gap widens to 24.

Yet this thundercloud has silver linings. One is that Republicans still hold a 3-point lead on the generic ballot in these districts, meaning they have a real chance if they get their likely voters out. An even bigger opening: Approximately 25% of those polled remain “persuadable” to vote Republican—if they hear the right things.

The difficulty is that different voters want to hear different things. Republicans have been touting their tax cuts and the economy, and they should. But the club's data make clear that uncommitted voters want more than past achievements, or a scary picture of Nancy Pelosi, or excuses for Mr. Trump. They want promises for the future. And yes, they remain wary that Democrats will reverse particular economic reforms.

Which is why the message that resonates most strongly by far with persuadable voters is a Republican promise that they will make permanent last year's middle-class tax cuts.

Rep. Kevin Brady, the Ways and Means Committee chairman, has introduced legislation to do just that—and it's mind-boggling that Republicans haven't already scheduled votes. Majority Leader Mitch McConnell doesn't have 60 Senate supporters, but Republican candidates could use Democratic “no” positions to huge effect in their races.

A forthcoming poll suggests ways they can persuade voters in swing districts.

Likewise, Republicans have an opportunity in highlighting the left's more doo-dally ideas. Uncommitted voters reacted strongly against Democrats' calls to abolish Immigration and Customs Enforcement, and strongly in favor of GOP promises to defund “sanctuary” cities and states, which refuse to follow immigration law. These were top messages for those crucial suburban voters, who have watched in alarm as urban violence creeps into their neighborhoods. (Interestingly, the other top suburban message was repealing ObamaCare.)

As for the Republican base, the poll finds they are driven most by Democrats' threats to the presidency, the economy and constitutional rights. They will be inspired by Republicans who promise to protect the Second Amendment. They are likewise stirred by prom-

ises to defend Mr. Trump from the partisan impeachment effort that would inevitably accompany Democratic House control. And they want to hear Republicans vow to guard against intrusive and specific Democratic job-killing proposals—a \$15-an-hour minimum wage, regulations on autos and drinking straws, government health care, etc.

What muddies all this clear direction is Mr. Trump's nationalization of the race—his insistence on making it a referendum on his presidency. Polling suggests the Trump rallies and election talk are a double-edged sword. They turn off voters in the suburbs, where Republicans are already behind in enthusiasm. But they drive votes in rural areas, which react most strongly to impeachment threats.

So the trick for Republicans is to target different microcosms of their districts, tailoring their messages via digital marketing, calls, mailings and events. Some issues, like taxes, resonate everywhere, but for the most part the emphasis and message needs to be entirely different depending on block-by-block geography.

That's doable, though it breaks with the usual mentality that elections are one thing or another—a positive or a negative campaign, a referendum or a choice. Elections during the Trump presidency, like the presidency itself, will be messy. Republicans who are willing to embrace that mess still have a shot.

Write to kim@wsj.com.

BOOKSHELF | By Dave Shiflett

In a League Of Their Own

Football for a Buck

By Jeff Pearlman
(Houghton Mifflin Harcourt, 366 pages, \$28)

The new NFL season has commenced with the usual hoopla, though some fans are finding new things to do on Sunday afternoon. Their disaffection isn't just about kneeling, which is as easy to ignore as other celebrity pose-striking. The game seems flat, perhaps due to efforts to remove risk with new rules and more penalty flags. Watching a game can set the teeth to grinding, especially when advertising time-outs seem longer than the first half of “Gone With the Wind.” Meanwhile, ticket, beer and parking prices make stadium-goers wonder if they could have saved money by opting for a weekend in Paris.

So pro football is ripe for revolution. Luckily, Jeff Pearlman's “Football for a Buck” offers a blueprint for change, based on the United States Football League, which played three semi-glorious seasons starting in 1983. The book will also please readers who sip bad ink about Donald

Trump as if it were the finest wine.

Mr. Pearlman, whose earlier books include one on the Dallas Cowboys, traces the league's origins to David Dixon, a New Orleans art dealer who in 1961 dreamed of an NFL expansion team for his hometown. His vision slowly evolved into the USFL, which promised grand innovations: a spring-summer season, regional talent in team lineups, two-point conversion opportunities and a low operating budget.

Tryouts were open to the public, Mr. Pearlman tells us, and attracted plumbers, cab drivers and fish-tank cleaners—plus a few fellows with less conventional skill sets. One hopeful was out on a work-release program following an armed-robery conviction, while another had recently finished a term for manslaughter. Perhaps it's no surprise that the USFL presented, in the words of one of its former players, “the most violent football ever played by mankind”—featuring a dozen teams (later expanding to 18) with names including the Bandits, Gunslingers and Maulers.

There was also athleticism. The Houston Gamblers, looking to hire speedy receivers, auditioned a candidate who had never played a down of football, according to Mr. Pearlman, but who had “recently raced a horse on the television show *That's Incredible . . . and won.*” The league launched several pro legends, including Herschel Walker, Doug Flutie, Steve Young and Jim Kelly, all of whom were budget busters. There was a massive gap between “grunt” players—who earned an average of \$36,000—and the marquee players like Mr. Walker, who got a \$1 million signing bonus and \$1.2 million a year, along with that stake in an oil well.

On the bright side, the players weren't expected to be role models. Many did drugs; some smoked cigarettes on the sidelines and even in the huddle. A lineman named Greg Fields responded to being cut by the Los Angeles Express with death threats; management hired Liberace's bodyguard to keep an eye on him. The executive suite included its own set of rogues. George Allen, the Washington Redskins legend who coached USFL teams in Chicago and Arizona, had an opposing team's practice sessions illicitly filmed—to great success. “We knew every play they were running,” an assistant coach later marveled.

Tryouts were open to the public and attracted cab drivers and fish-tank cleaners. One of the team owners now sits in the White House.

Mr. Pearlman, who drew on roughly 400 interviews for the book, clearly loves the league, but a few of its owners inspire a deep antipathy, including J. William Oldenburg, chairman of a mortgage banking company and owner of the Los Angeles Express, and Donald Trump, real-estate heir and owner of the New Jersey Generals.

Mr. Oldenburg was a “volatile, erratic, simple, and clinically insane man,” Mr. Pearlman writes. If he had a virtue, it was his dislike of his New Jersey counterpart. “Donald Trump,” Mr. Oldenburg said, “can get all the press he wants, but when it comes to business, he can't carry my socks.” As it happened, he also fancied himself a virtuoso at deal making, in one instance buying a property for \$800,000 and selling it to a savings and loan under his own control for \$55 million. When his financial fraud was discovered, he was history.

Mr. Trump, 37 when he entered the picture, is the alpha skunk in this drama, presented by Mr. Pearlman as a lying, preening, no-class schmoe who hoped to merge the USFL with the NFL in order to fulfill his dream of owning an NFL franchise. He was able to talk fellow owners into switching to a fall season, creating nose-to-nose competition between the leagues that shook fan support but, Mr. Trump assumed, would make a merger more likely. He also spearheaded an antitrust lawsuit against the NFL that, if victorious, would provide a cash infusion to keep his dream alive.

While Mr. Trump's forceful personality worked wonders with fellow owners, the jury in the 1986 civil trial didn't fully succumb to his charms. While it agreed that the NFL had created a monopoly, it awarded Mr. Trump and company \$1 in damages. The struggling league (which Mr. Trump dismissed as “small potatoes”) soon collapsed, though Mr. Trump would eventually win a national franchise unforeseen at that time—a victory that Mr. Pearlman considers a nightmare of rare and enduring proportions. As for the idea of an alternate league, it still has appeal. “The USFL wasn't as good as the NFL,” says Jairo Penaranda, a running back for the Memphis Showboats. “But it was 10,000 times more fun”—and lots cheaper than Paris.

Mr. Shiflett posts his original music and writing at www.Daveshiflett.com.

Coming in BOOKS this weekend

How Wendell Willkie saved the GOP • A history of walls, blood and civilization • Oleg Gordievsky and Cold War espionage • The Jell-O family curse • Sam Sacks on the struggle of Norway's Karl Ove Knausgaard • & more

Stopping the Priests Who Prey on Adults

HOUSES OF WORSHIP
By Matthew Schmitz

Rachel Mastrogiacomo says she has been victimized twice: first by an abusive priest, then by those who failed to remove him from ministry. In 2010 Father Jacob Bertrand sexually penetrated Ms. Mastrogiacomo, then 24, while he said a private mass in the basement of her Minnesota home. This grave act of sacrilege was also a felony. Minnesota is one of several states where it is illegal for clergy to engage in sexual acts with adults in certain pastoral contexts.

Four years later Ms. Mastrogiacomo reported the assault to Catholic authorities. When confronted by officials at the Diocese of San Diego, Father Bertrand “substantially admitted misconduct,” according to diocesan spokesman Kevin Eckery. On Nov. 30, 2014, Father Bertrand wrote in his parish bulletin that he was taking a leave of absence because he “struggled with experiencing emotional connectivity” after an arson attack. He returned to ministry in 2015.

In 2016 Ms. Mastrogiacomo discovered Father Bertrand was once again a parish priest—in which capacity he gave a talk on “Theology of the Body” and met with college students. “It was just as traumatic as the crime in the sense that it made me feel like I was worth nothing and I was powerless,” she recalled in an interview last week. “I felt as though I was a

faithful little sheep in the flock that could just be raped and thrown out.” She filed a criminal complaint against Father Bertrand in April 2016.

In April 2015, Robert McElroy became bishop of San Diego. During his first press conference he announced: “Anyone who is involved in the abuse of a minor, simply, even in one case, cannot be allowed to be in ministry.” It seems this policy did not extend to priests who abused adults. Bishop McElroy did not remove Father Bertrand from ministry until August 2016, after he learned that the priest was being prosecuted. “We knew that it was poor behavior. We didn't know that it was criminal behavior,” said Mr. Eckery.

According to Dakota County Attorney James Backstrom, whose office prosecuted Father Bertrand, the Diocese of San Diego refused to turn over key files. “The attorney for the San Diego Diocese originally told us that [they] had no file related to an investigation involving Jacob Bertrand's alleged sexual acts with the victim in our case (which we later learned was false) and initially told the attorney from our Office handling this prosecution that even if a file existed, they would not provide it,” he wrote in an email. Mr. Eckery insists that the diocese was willing to cooperate.

Father Bertrand pleaded guilty to criminal sexual conduct in January and was sentenced to 10 years probation in May. Ms. Mastrogiacomo re-

mains unsatisfied. “The Diocese of San Diego has never reached out to me. I'm deeply hurt that McElroy has never reached out to me,” she said. “Even though I am an orthodox Catholic who remains faithful to the Church, they've never extended a hand.”

Were it not for Minnesota's law protecting adult victims of clergy sex abuse, Father Bertrand might still be in ministry.

In most jurisdictions, victims like Ms. Mastrogiacomo currently go unprotected. Thirteen

Bishops should push to make it a civil crime for clergy to abuse those over 18.

states and the District of Columbia criminalize some form of clerical sex abuse of adults, according to a 2013 analysis by legal scholars Bradley Toben and Kris Helge. Most of these states criminalize clerical abuse only in certain narrow therapeutic contexts, or do so in a way that could lead the state to become unconstitutionally entangled in defining religious belief. Only Arkansas criminalizes abuse in a way that is comprehensive and resistant to constitutional challenge.

Catholic leaders should lobby to criminalize clergy sex abuse of adults in every state. A good first step would be for the U.S. Conference of Catholic

Bishops to draft a model statute, based on the Arkansas law, that could be adapted to each jurisdiction. Such a statute should include language along these lines: “A religious leader commits sexual assault if he or she is in a position of trust or authority over the complainant and uses said position to engage in sexual penetration or contact. Consent by the complainant is not a defense.”

Such laws would apply to clergy of every religion and sect. They would serve a clear secular purpose: protecting those unable to give real consent. In *Lawrence v. Texas* (2003), the Supreme Court ruled that states generally could not criminalize consensual sex between adults in the privacy of the home. But the ruling stated that this did not apply in the case of “those who might not easily refuse consent.” That includes victims of clergy sex abuse.

A false idea of mercy has allowed many acts of abuse that should be considered criminal—and some that already are—to go unchecked. Catholic bishops and the laity should work to criminalize every instance of clergy sex abuse. They should press for serious penalties, including mandatory jail time, as well as extended statutes of limitations. Otherwise victims like Ms. Mastrogiacomo will continue to be abused twice.

Mr. Schmitz is senior editor of First Things and a Robert Novak Journalism Fellow.

The Protesters vs. the Bondholders

By David Skeel

“Want” posters with my picture on them recently appeared all over the campus where I teach. As one of the seven members of Puerto Rico's financial-oversight board, I am, the posters claimed, a “mercenary” who “demands the blood of Puerto Rican people to pay rich Wall Street bondholders.”

If the anonymous authors of the sepia-toned, Wild West-style posters could only meet a few of the “rich Wall Street bondholders,” they might see my colleagues and me a little differently. Perhaps a virtual introduction will suffice.

Start with Aurelius, a prominent hedge fund with large holdings of Puerto Rico bonds. In a lawsuit against the oversight board, Aurelius claims the process by which we were selected violates the Constitution's Appointments Clause. According to Aurelius, the actions we have taken are therefore

null and void. A federal district judge rejected this argument; Aurelius is appealing.

Why blow up the work of the board? Because we're trying to reduce Puerto Rico's \$74 billion of debt. On May 3, 2017, we filed bankruptcy-like proceedings (known as Title III)

The oversight board for Puerto Rico has a careful balancing act.

on behalf of the Commonwealth of Puerto Rico, as Congress authorized us to do in the Puerto Rico Oversight, Management, and Economic Stability Act of 2016, known as Promesa. Title III stops creditors from trying to collect what they're owed while we and the creditors negotiate the terms of a plan of adjustment. This would all go up in smoke if Aurelius prevailed in court. The hedge fund presumably

believed it could force Puerto Rico to pay during the chaos that would ensue.

Other bondholders complain about the five-year fiscal plan we have certified, which is based largely but not entirely on adjustments proposed by Gov. Ricardo Rosselló. According to these creditors, the plan's cost savings and reforms (including “right sizing” of government and reductions in health-care costs) don't go far enough. They insist we also should use rosier projections of Puerto Rico's future economic growth, and of the amounts it can afford to pay creditors.

I'm certain the protesters who made the posters wouldn't agree. Other posters targeted Julia Keleher, Puerto Rico's education secretary and the architect of one of the most important reforms already initiated by Mr. Rosselló: a tough but needed restructuring of Puerto Rico's education system that involves school

consolidations and closings to improve educational outcomes.

The oversight board has for

the past two years navigated between the protesters' and creditors' perspectives, based on a conclusion that Puerto Rico can't climb out of its fiscal morass unless every constituency bears some of the sacrifice. The debt needs to be restructured, the cost of government reduced and pensions reformed.

Promesa instructed the oversight board to help “achieve fiscal responsibility and access to the capital markets.” This can be translated as “make everyone unhappy, and help put Puerto Rico on a path to financial recovery, so that the oversight board will no longer be necessary.” We seem to have achieved the first of these objectives. We're working hard on the second.

Mr. Skeel is a professor at the University of Pennsylvania Law School.

OPINION

REVIEW & OUTLOOK

A Late Hit on Kavanaugh

The Senate Judiciary Committee is aiming to vote on Brett Kavanaugh's Supreme Court nomination next week, so get ready for the late hits and last-ditch smears. The latest came Thursday when ranking committee Democrat Dianne Feinstein announced that she has "information" . . .

Of course she does. Some Democrat was bound to have something. Mr. Kavanaugh had come through his confirmation hearing last week without a dent, and Democrats had made themselves look bad by editing his quotes and spreading innuendo unrelated to his judicial views. Meanwhile, the political left is demanding that Democrats do something, anything, to stop the highly qualified jurist from joining the High Court.

Enter DiFi. "I have received information from an individual concerning the nomination of Brett Kavanaugh to the Supreme Court," Ms. Feinstein said in a statement. "That individual strongly requested confidentiality, declined to come forward or press the matter further, and I have honored that decision. I have, however, referred the matter to federal investigative authorities."

Ms. Feinstein offered no details, and Judiciary Chairman Chuck Grassley said Thursday that she didn't share the information with him. News reports say the information refers to a letter from a woman concerning possible sexual misconduct when she and Mr. Kavanaugh were both in high school. That would have been sometime in the early 1980s.

News reports also say that Ms. Feinstein has had the letter since the summer, and that it was

A bad confirmation gets worse for Sen. Dianne Feinstein.

first sent to the office of Rep. Anna Eshoo, a Democrat from Silicon Valley. But if the "information" is worrying enough to send to the FBI, why did Sen. Feinstein wait so long? She didn't bring it up during the summer in the run-up to the hearings, didn't mention it when she met with Judge Kavanaugh, and didn't think it was important enough

to tell her colleagues.

The charitable explanation is that she didn't think the information was credible enough to warrant investigation, but that now under pressure from her colleagues she felt obliged to surface it. In the current #MeToo frenzy, Democrats may think the story will scare Republican Senators when nothing else has.

Look for Mr. Kavanaugh's opponents to say that, while they don't know if the information is true, Mr. Grassley must delay a vote until the FBI can investigate an episode that may or may not have happened between two teenagers nearly 40 years ago. Yet the FBI has already investigated Mr. Kavanaugh many times over his 25 years in government, including for jobs in which he handled important secrets. The FBI said Thursday it has not opened a criminal probe in the case but has put the letter into Mr. Kavanaugh's background file.

So here's what we have: A story floated at the last minute about an accusation whose details are unknown from a woman whose identity is secret. The episode says more about the desperation of Democrats than it does about Mr. Kavanaugh, and the real disgrace would be if Republicans did anything other than move promptly to a confirmation vote.

Due Process for Sexual Assault Cases

Universities now play cop, prosecutor, judge and jury in campus sexual-assault cases, often without allowing due process rights to the accused. The Sixth Circuit Court of Appeals last week issued an important rebuke to these Title IX proceedings that ought to become a national standard.

Since 2011 more than 300 accused students have sued over Title IX decisions. *Doe v. Baum* was brought by a former University of Michigan student accused of sexual assault. John Doe and Jane Roe, as the parties are identified, agreed they'd attended a party, had sex and that she vomited in a trash can. A few days later she told administrators she had been incapable of giving consent. John Doe disagreed, saying she didn't seem drunk and had consented.

The case illustrates how an accused student's fate can dangle on a thread when universities employ a "preponderance of evidence" standard that requires a mere 50.01% likelihood of guilt. The University of Michigan conducted a three-month probe, interviewing 23 witnesses whose accounts varied. The investigator ruled in John Doe's favor.

His accuser appealed to a three-member Title IX panel that included a student, then-assistant law school dean David Baum, and a retired assistant professor from the dental school. They found John Doe responsible for sexual assault "after two closed sessions (without considering new evidence or interviewing any students)," wrote Judge Amul Thapar.

John Doe needed 13.5 credits to graduate, but the school told him he had to withdraw or be expelled. He left and sued, claiming administrators deprived him of the constitutional property right to his education without due

The Sixth Circuit says the accused have a right to cross-examination.

process. Since the case relied on Title IX adjudicators' judgment about whose witnesses were most credible, John Doe argued he should have been given the chance to cross-examine his accuser and other witnesses.

In *Matthews v. Eldridge* (1976), the Supreme Court established a balancing test over a property right claim based

on how difficult it would be to provide due process and how much the defendant stood to lose. John Doe argued that the university would have incurred minimal cost if it allowed him to question witnesses. Administrators allow cross-examination in other misconduct cases, and they've failed to explain why they treat Title IX cases differently. The stakes are enormous for John Doe. Being labeled a sex offender could permanently damage his reputation and jeopardize his education and future prospects.

The Sixth Circuit's panel ruled for John Doe and said both parties or their legal representatives are entitled to cross-examine witnesses. "Not only does cross-examination allow the accused to identify inconsistencies in the other side's story, but it also gives the fact-finder an opportunity to assess a witness's demeanor and determine who can be trusted," wrote Judge Thapar, a Trump nominee.

The decision affects Title IX practices at more than 40 state colleges and universities in Michigan, Ohio, Tennessee and Kentucky, but the opinion may influence other courts considering similar cases. The ruling also adds legal credence to Education Secretary Betsy DeVos's effort to restore due process in Title IX proceedings. Michigan hasn't said if it will appeal, but the Supreme Court is overdue for a case on how universities adjudicate sexual assault.

Culling the Emerging-Market Herd

The emerging-market currency scare continues, but the good news is that the damage to date has been remarkably contained. Turkey's central bank on Thursday became the latest to raise interest rates to stabilize the lira. But the bigger story is that markets are culling the herd to attack the weakest instead of spreading currency contagion.

This isn't an act of charity but seems to be a rational attempt to sort bad from good economic management and political credibility. The global economy is growing, especially the U.S. as capital flows to America after tax reform and the Federal Reserve raises interest rates. This sorting seems to be insulating the likes of Malaysia, Mexico and Thailand, which have all suffered from previous currency routs.

But it also paints a bull's-eye on the weakest countries, such as Turkey. Before Thursday's rate increase the lira was down some 40% versus the dollar this year. That compares to an 8% decline in a basket of currencies of smaller U.S. trading partners measured by the Fed.

Turkey has a heavy burden of dollar- and euro-denominated debts, especially in construction and real-estate industries. President Recep Tayyip Erdogan weighs on the economy with fulminations against central-bank independence and the evil influence of the U.S. dollar. President Trump has piled on with sanctions to get the return of an American pastor held in Turkey on phony charges.

The Argentine peso is another soft currency target, depreciating 50% or so this year. The country still hasn't repaired the economic

damage inflicted by President Cristina Kirchner, including large government debt to fund public works and patronage.

The lack of contagion so far gives countries an opening for reform.

South Africa's rand has fallen about 15% against the dollar this year, as investors rebel against a government plan to expropriate farmland. India is also on investor probation, with the rupee down

some 13% this year amid worry about a trade deficit and the fate of President Narendra Modi's inconsistent reform. The Brazilian real is down 20% as a leftward lurch looks possible in October's presidential election.

All of which should be a warning for countries to use this moment to shape up.

Investors are looking past short-term moves like interest-rate hikes for signs that governments are serious about economic reforms such as spending restraint, debt reduction, tax reform and trade liberalization. Countries that have lost monetary credibility due to political interference—Turkey—should turn to currency boards or dollarization.

Market pressure will grow as developed-economy central banks continue to raise interest rates and unwind their post-crisis asset purchases. Investors will have more U.S. and European bonds to buy as the Fed and European Central Bank reduce their portfolios. The price of money is rising, leaving governments with less room for policy error.

This year's selective emerging-market panics are a sign that as liquidity becomes scarcer, developing countries will have to work harder to attract capital. Better to move on reform now while the global economy is growing rather than wait until your country is a target.

LETTERS TO THE EDITOR

Government Overreach Politicized the Court

Thank you for publishing Sen. Ben Sasse's excellent essay. I think he overlooks two factors in "Blame Congress for Politicizing the Court" (oped, Sept. 6).

One, as Mr. Sasse writes, has to do with the growing administrative state. But this isn't merely a function of lazy lawmakers; a large government is an ideological objective of the progressive movement. From the time of Teddy Roosevelt and Woodrow Wilson, the progressives have looked to "experts" in the bureaucracy to solve the nation's problems. FDR gave us a host of alphabet agencies not authorized by the Constitution. Unfortunately, the Supreme Court eventually acquiesced in this executive power grab. Too late, Ronald Reagan noted that big government was not the solution to our problems.

The other factor is the Supreme Court's unfortunate tendency to treat state law matters as constitutional ones, even where the Constitution is silent on the subject. *Griswold* (contraception), *Roe* (abortion) and *Obergefell* (same-sex marriage) are three examples. Having won new national rights that state legislatures would not grant, the left is adamant that these judicially invented rights remain. They shout "*stare decisis*." Conservatives are angry that the citizens' right to determine these things within their state legislatures has been taken away. And so every judiciary committee confirmation hearing is about abortion, whether the senators use the word or not.

Only when justices regain judicial modesty and apply the Constitution as written will the political battle move from the Supreme Court back to the political branches, where it belongs.

BRAD TUPI

Pittsburgh

Abortion rights ought to have been made law by a constitutional amendment, and they can still be if the justices decide that the original case was not decided correctly. Gun rights are enumerated in the Second Amendment, but the guns of today were never envisioned at the time of the passing of that amendment. A new amendment could be made law, limiting the types of guns citizens can legally carry. Rather than continue the "politicized circus" that the hearings have become, let us change laws in the way they were meant to be changed.

EVELYN MAZZUCCO
Chicago

Sen. Sasse says Congress must accept its responsibilities and face the consequences for its actions, that the executive branch should refrain from writing laws and the judiciary shouldn't be a political battleground. I couldn't agree more.

Most important though, we need Congress, the executive branch and judiciary to stay away from all issues except those solely of national importance that cannot be addressed by the states or local government. We would have far less lobbying, crony capitalism, embezzlement, waste, bureaucracy and corruption if the three branches were to stay out of education, commerce, energy, health care and housing. With the federal government involved in so much of our personal lives, is it any surprise that government is too big to manage and overrun with contention?

Instead of hoping the three branches act better, the best solution is for them to act less.

DAN AGAN
Houston

It's clear that human nature and institutionalized attitudes have made changing this voluntarily an impossibility. However, there is an antidote. It's called term limits. Sen. Sasse, please proceed.

BRUCE LUDWIG
Kirkland, Wash.

Harley-Davidson Is Right. Trump Is Wrong

Regarding Edward Lazear's "Keep Your Tariffs off My Harley" (op-ed, Aug. 28): Since the turn of the century, Harley-Davidson Motor Company has retained its image as a classic American icon. It wasn't always so. In 1969 AMF bought the company, slashed the workforce and streamlined production. It was a dark period as the bikes produced

were of poor quality, leaked oil and were inferior to the Japanese competition. The company almost went bankrupt. Through sheer pluck, a group of investors and workers led by Willie G. Davidson bought the company for \$80 million in 1981. Rather than trying to match the Japanese, the new management focused on the "retro" look for the big bikes and slowly but surely made the company viable and "great again," rising phoenix-like from the ashes.

Today's company faces demographic and lower domestic-sales challenges. Management under CEO Matthew Levatich is of no mind to commit corporate suicide by absorbing a 31% EU tariff and \$2,200 in-



crease per unit as a result of President Trump's Smoot-Hawley-like tariffs on European steel and aluminum, especially since 40% of Harley's sales are now coming from overseas. Yet in the face of these challenges all that Mr. Trump can say to management is "don't get cute with us." Under these circumstances it certainly makes sense for Harley to move production to Europe and Asia.

As a Harley owner, I would not want to see Mr. Levatich roll over to the president's threats, which would lead to the demise of the company and a major recession.

PROF. KENNETH GUTWEIN
SUNY
Glen Cove, N.Y.

Sacramento Doesn't Pass Its Own Quota Test

The Journal is right to criticize as unconstitutional California legislation imposing gender quotas on corporate boards ("California's Corporate Quotas," Review & Outlook, Sept. 11). The legislation violates both the U.S. Constitution and the California Constitution, especially the latter. Courts have interpreted the California Constitution as banning gender-based set-asides, even in the rare contexts in which they are permitted under the federal Constitution.

Set-asides for women have been struck down in state appeals-court decisions such as

Connelly v. State Personnel Board (2001)

and *Hiatt v. City of Berkeley* (1982).

Gender-based affirmative-action is subject to "strict scrutiny" under the state constitution.

Under the U.S. Constitution, the ban on gender-based preferences is less absolute. But a federal appeals court struck down a set-aside for women in 1987. That ruling was affirmed, on the merits, by the Supreme Court in *Michigan Road Builders v. Milliken* (1987). Similarly, an appeals court struck down the FCC's

legislation as unconstitutional. The California legislation is unconstitutional for the same reason.

HANS BADER
Arlington, Va.

Perhaps California legislators ought to apply their "board" quotas in their own house first. By my count, only 11 of the 40 state senators are female. Forget voter preference. Equality is more important.

JOHN HAGERTY
West Chester, Pa.

Pepper ... And Salt

THE WALL STREET JOURNAL



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Play

OPINION

Bad Sports Don't Deserve To Lose

By Alan M. Dershowitz

The Serena Williams controversy transcends tennis. It should result in rule changes in every professional sport. No athletic event—not tennis, basketball, baseball, soccer, hockey, football or any other sport—should be decided by anything other than what the players do in competition.

This new approach would require significant changes in the rules of virtually every sport. No more technical fouls based on mouthings off in basketball. No ejection of players from baseball games for disputing calls. No loss of points or games for smashing rackets or calling an official a thief. No yellow or red cards for screaming obscenities at soccer referees. No penalty box for verbal taunting in hockey. No yardage penalties for touchdown celebrations.

A reform for all pro games, inspired by the injustice done to Serena Williams.

There could still be game-deciding sanctions for hard fouls, bean balls, unnecessary roughness or other violations that affect games or threaten injury, but not for speech or other expression.

How then would officials make sure games don't get out of hand? With financial penalties. Could monetary penalties really deter athletes who earn tens or hundreds of millions of dollars? Yes, if they are substantial enough. Ms. Williams could have been threatened with the loss of most, or even all, of her prize money if she persisted in insulting the official after smashing her racket. (The issue of coaching should be addressed separately, since it can affect the match. Such coaching is apparently widespread, and either it should be permitted or the prohibition enforced uniformly.)

Other professional athletes could be fined in proportion to their earnings and the seriousness of the offense—millions of dollars in extreme cases. In the rare case when a steep fine fails to defuse an ugly verbal attack, the penalty could be escalated to suspension from future games, which would have a less immediate effect on outcomes. But under no circumstances should the outcome of a game in progress be determined by words or deeds that do not directly affect that game.

To be sure, there will be gray areas such as bumping an official or off-field misconduct like domestic abuse or taking drugs that don't affect performance. But rule makers can begin with the easy cases involving pure speech, expression or protest.

Some might argue that "sportsmanship" is a part of athletic events and should be allowed to influence their outcomes. But bad sportsmanship is too subjective a concept on which to base a potentially outcome-determinative penalty such as the loss of a game in a tennis match. Chair umpire Carlos Ramos took away an entire game from Ms. Williams for words that another umpire might have seen fit only to warn her over. Whether or not his decision was based on sexism, it was surely based on a subjective assessment—which could have been influenced by many individualized factors, proper or improper.

A steep financial penalty imposed after the game or match affects only the offending player. What Mr. Ramos did affected the fans, Ms. Williams's opponent and the credibility of the sport. That's not fair to anyone who participates in, or loves, sports.

Mr. Dershowitz is a professor emeritus at Harvard Law School and author of "The Case Against Impeaching Trump."

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Bailouts Shouldn't Be Only for Banks

By Glenn Hubbard

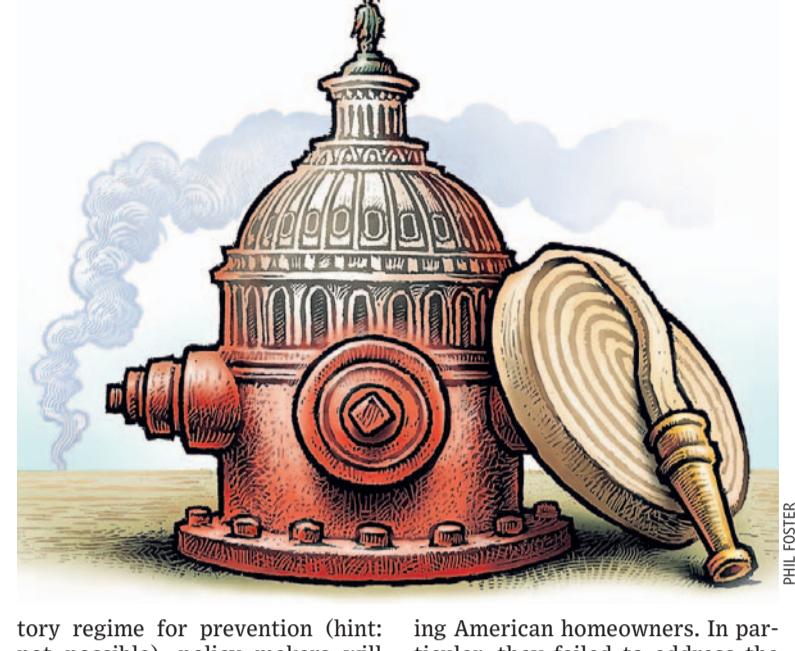
The music stopped as the investment giant Lehman Brothers filed for bankruptcy 10 years ago Sept. 15. It was a tipping point in the sequence of events that soon became known as the global financial crisis. The event upended American economic complacency and set in motion a wave of populist animus against finance. While the crisis was arrested—albeit in a way that would sow future problems—the populist flames burn away.

Should the U.S. government have saved Lehman? Prices of Lehman debt before the bankruptcy indicated some combination of overly sanguine investor views of the firm's condition and a belief that a bailout was likely. Several commentators, including Alan Blinder on these pages, have identified the failure to intervene on Lehman's behalf as a key policy error.

But the questions that should take center stage today are broader. First, how much flexibility should policy makers have to bail out ailing financial firms? Second, what types of intervention do least to undermine public support for a well-functioning financial system?

Instead of crisis response, the post-Lehman policy debate centered on crisis prevention. This culminated in the passage of the Dodd-Frank Act of 2010 and stricter capital and liquidity rules. But this emphasis on securing individual institutions overlooked the contagious nature of financial crises. Failure of one firm can spread quickly to others through fire sales of assets in a scramble for cash.

In fact, Dodd-Frank limits the Federal Reserve's ability to make emergency loans in the next crisis as it did in 2008-09. These limits are unlikely to reassure short-term creditors. Without a perfect regula-



PHIL FOSTER

tory regime for prevention (hint: not possible), policy makers will need vigorous economic remedies to deploy after the fact. If the smoke detectors fail to prevent a fire, we still need a fire hose. An ability to recapitalize banks remains crucial and must be explained to a skeptical Congress and public.

The government's failure to help homeowners after the 2008 crisis fueled populist anger at finance.

Just as important as the question of when policy makers should bail out banks is the question of what form those bailouts should take. The effective interventions after the fall of Lehman lost public support because, in addition to being poorly explained, they failed to address the challenges directly fac-

ing American homeowners. In particular, they failed to address the effects of the downward spiral in home prices on household net worth and spending decisions.

To be sure, recapitalizing financial institutions was an important element of the policy response. The depletion of capital buffers before the crisis reduced loan supply and exacerbated fire sales of distressed assets once the market collapsed. Cash infusions by the Treasury under the Troubled Asset Relief Program, in concert with the Fed's bold lender-of-last-resort interventions, blunted the impact of the crisis.

That said, the perceived lack of attention to "Main Street" fed public suspicion of the bailouts. The government appeared to be more interested in addressing the decline in bank capital than the decline in home values. Millions of homeowners who were current in their mortgage payments were unable to refinance at lower interest rates because they were underwater. Yet

many of these mortgages were already guaranteed by Fannie Mae and Freddie Mac, meaning taxpayers held the credit risk. Banks and investors holding the mortgages would never receive less than par.

The government should have directed a mass refinancing of mortgages for primary homes in which the borrower was current in payments. This would have led to an increase in disposable income and in home prices totaling more than \$100 billion, according to a proposal Christopher Mayer and I offered at the time. The Treasury instead offered a tepid version of this with the Home Affordable Modification Program and the Home Affordable Refinance Program. These initiatives lacked the boldness of the bank bailouts, and Americans noticed.

Policy makers' major crisis interventions to support the financial sector in Lehman's aftermath ended in 2009. But the losses experienced by many Americans had lasting effects, draining their pocketbooks along with their confidence in the economic system. The populist frenzy opposing banks, bailouts, the Fed and the entire "establishment" is easier to comprehend against this backdrop.

Ten years on, the U.S. still lacks a detailed plan for postcrisis intervention. Policy makers need to determine in advance how they will support the financial system in a crisis so that stakeholders can adjust. Just as important, they must explain these interventions and build public support for them by making sure the benefits reach ordinary Americans directly. One lesson of the crisis a decade ago is that the loss of such public support is very hard to regain.

Mr. Hubbard, dean of Columbia Business School, was chairman of the Council of Economic Advisers under President George W. Bush.

Post-Lehman Sins of Transmission and Omission



POLITICAL ECONOMICS

By Joseph C. Sternberg

As the world marks the 10th anniversary of the Lehman Brothers collapse, each economist, politician and commentator seems to have his own questions. Here's mine: How have central banks' unprecedented efforts to rescue us from financial oblivion worked? Not "how well," mind you. Just "how."

The technical term for this "how" is transmission, which covers the practical means through which a central bank's reduction of a policy rate or purchase of a bond can affect activity on Main Street. Citizens conditioned to respect the godlike acumen of monetary maestros assume the maestros know exactly how their policies work. They don't.

This transmission omission comes into focus looking at the extraordinary and experimental policies central banks in the U.S., Britain, the eurozone and Japan adopted to soothe the post-Lehman financial panic, the 2010 eurozone sovereign crises, and the recessions that followed. In

adopting near-zero or negative policy rates and bond purchases (quantitative easing), they sought not only to ease a liquidity panic but to improve a range of outcomes in the real economy, including employment and growth of gross domestic product. They largely were firing blind.

Take the Fed. Until the 1970s, tweaks to the fed-funds rate had a reasonably direct effect on lending rates because so much household and corporate lending passed through banks. Easier monetary policy reliably stimulated GDP growth and inflation, while tighter policy reliably squeezed growth and tamed inflation. The Fed constantly had to make trade-offs between boosting growth and controlling prices.

Since the 1990s—a puzzling era of simultaneous low rates, high GDP

growth, low unemployment and low inflation—this relationship has broken down. Financial liberalization, especially the explosion of a mortgage market funded by securitization and corporate America's growing reliance on bond markets rather than bank lending, weakened banks' role as monetary-policy vectors.

But only recently have the full implications become clear empirically. A June 2017 paper published by the Bank for International Settlements finds that since the 1980s Fed policy has had a consistently stronger effect on the housing and corporate-credit markets than on consumer-price inflation.

At the same time, the old tie between GDP growth and inflation has frayed significantly, such that the Fed since the 1980s has produced much larger swings in GDP growth or contraction in pursuit of its inflation goals compared with the era before the 1980s. This seems to be because the relationship between the housing and corporate-credit markets—what the Fed now apparently can influence—and GDP growth is more complex than the old relationship between bank lending and economic output.

There's also the matter of how quantitative easing interacted with Main Street. The Bernanke Fed believed that large-scale purchases of

mortgage-backed securities could stabilize the housing market and thereby the broader economy. Purchasing government bonds of ever-longer maturities would suppress long-term interest rates and stimulate more credit to businesses. The Fed had picked up on the clues about the roles of housing and credit markets in transmission.

Economists and central bankers know surprisingly little about how their crisis policies really worked.

But research by more economists has concluded that the Fed managed to stimulate the types of credit it was buying and not the types of credit it wasn't. It pumped up the mortgage market but had hard-to-discern influence on corporate lending. It's not obvious how the types of credit the Fed stimulated interact with business investment, productivity gains and economic growth—the transmission mystery.

Now is this uncertainty limited to the Fed. The European Central Bank's biggest innovation of the past decade has been the imposition of a negative interest rate starting in 2014—a tax

on reserves held at the central bank. Europe remains more dependent on bank lending than the U.S., so this pressure on banks to lend more should have worked well.

No one can say if it has. A 2016 paper from economists at the International Monetary Fund concluded the policy helped stimulate lending—but that transmission depended heavily on the degree and nature of bank lending within a given eurozone economy. Another paper, by European Central Bank economists, finds that how a bank changes lending in response to negative rates depends in part on whether it funds itself mainly by accepting deposits or by borrowing in the short-term financing market. Yet other economists believe the policy "worked" not by stimulating lending at all, but by depressing the euro-dollar exchange rate.

Such differences complicate efforts to understand how and how well monetary tools will work—and what new systemic risks they might create. After decades of financial transformation, globalization and policy experimentation, central banks know less than they used to about the effects they have on Main Street. It's likely to be some time before we figure out what central banks actually did to the economy after the Lehman crisis, let alone whether it worked.

Get Real With \$6-a-Gallon 'Raw Water'

By Henry I. Miller

Many Americans, in search of authenticity, seek out "locally sourced," "artisanal" and "natural" foods. Recently I saw a milk delivery truck emblazoned with the words "naturally sourced." Was the point to assure buyers that the milk came from cows, rather than a chemical factory in Shanghai?

"Authentic" connotes different things to different people, according to Glenn R. Carroll, a Stanford business-school professor who has studied the phenomenon. Yet it's hard to overstate the growing premium that consumers place on it. In restaurants that he and his colleagues evaluated, customers considered lack of authenticity an even greater detriment than uncleanness.

Authenticity is a difficult thing for a company to try to bottle. "Using authenticity to sell something is kind of self-contradictory and ironic," Mr. Carroll told an interviewer in 2016, "because the whole point of being authentic is not being strategic but instead behaving in a way consistent with true underlying identity and values." Mr. Carroll has found that restaurants that want to be perceived as authentic are most successful when they let customers do the proclaiming. Talking about how authentic you are is akin to bragging about your humility.

Mr. Carroll told the same inter-

viewer that "authenticity seems to buffer businesses against negatives."

When microbreweries first became popular, for example, many of their products were clearly inferior to big-name beers. Microbreweries were "trading on the fact that they were small-scale craft producers doing something different," Mr. Carroll said. "But people associated the craft operation with higher quality and certainly with higher value and were willing to suspend a lot of judgment."

How much judgment are consumers willing to suspend? A lot, if you wrap into authenticity the related idea of "natural." Consider "raw milk," which can cause serious illness because it hasn't been pasteurized. Direct sales to consumers are illegal in about half of U.S. states. Nevertheless, devotion to raw milk can be cult-like. The Food Renegade blog calls it "real milk" and insists it's healthier and more nutritious. There's even "raw water." One company last year reportedly sold "unfiltered, untreated, unsterilized spring water" for \$6 a gallon.

Herbal dietary supplements, projected to reach world-wide sales of about \$87 billion by 2022, are another example. Although produced from natural components, many herbal supplements contain impurities, are extremely variable from batch to batch, and can have extremely harmful effects. As the Food and Drug Administration has stated,

"natural doesn't always mean safe."

Under pressure from the supplement industry, Congress in 1994 exempted such products from FDA oversight. Vendors are still barred from claiming their supplements prevent or cure illnesses. But they are free to say their products will solve nutrient deficiencies or improve bodily functions—as in "supports prostate health." All they need is some example of research to support the claim, along with a disclaimer on the product's label stating it hasn't been evaluated by the FDA. How's that for authentic?

With respect to the long-term prospects of authenticity-branded businesses, Mr. Carroll had some final advice in that 2016 interview: "If you open up and start telling your story, you better make sure it's true and that you're actually doing what you claim you're doing, because you'll be found out if you lie or exaggerate. Someone will eventually discover the hypocrisy and go around telling everybody about it, and you'll be worse off than if you hadn't gone down that route in the first place."

Outing a few of the bad actors of the authenticity industry is the authentic purpose of this article.

Dr. Miller, a physician and molecular biologist, is a fellow at the Pacific Research Institute. He was founding director of the FDA's Office of Biotechnology.



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WORLD NEWS

Russians Deny U.K. Poison Claims

In television interview, two men accused of trying to kill ex-spy say they were tourists

By JAMES MARSON

MOSCOW—Two Russians charged by the U.K. with attempting to murder a former Russian spy acknowledged they were in the English city he called home on the day of the poisoning—but said they were there as tourists to admire sites, including the 123-meter spire of its world-famous cathedral.

The claims by the two men, who said their names were Alexander Petrov and Ruslan Boshirov, are in conflict with the case presented last week by the British authorities, who identified them as would-be killers for Russian military intelligence and said those names were most likely aliases.

The Kremlin has denied involvement in the poisoning of Sergei Skripal, a double agent who has lived in the U.K. since a 2010 spy exchange with Moscow, and his daughter in the city of Salisbury, near London.

"Our friends had been suggesting for a long time that we visit this wonderful town," Mr. Petrov told the Kremlin-backed RT news channel in a joint interview with Mr. Boshirov. Of the accusations of involvement in the poisoning, which led to the largest-ever collective expulsion of Russian diplomats from the West, he said: "It's complete nonsense."

The interview came one day after President Vladimir Putin



Ruslan Boshirov, left, and Alexander Petrov visited Salisbury, where the attack occurred, to admire the 'wonderful town,' Mr. Petrov said.

said Russia had identified the two men named by British authorities, calling them civilians and urging them to tell their story to the media.

The spokesman for U.K. Prime Minister Theresa May told reporters Thursday, "The lies and blatant fabrications in this interview, given to a Russian state-sponsored TV station, are an insult to the public's intelligence." He added the men remained wanted by U.K. police.

Messrs. Boshirov and Petrov, dressed in casual clothes and seated behind a desk, described how they had planned a short visit to London with a one-day trip to

Salisbury to see the cathedral and other nearby sites, includ-

ing the stone circle at Stonehenge. But when they arrived in Salisbury on March 3, they said they were beaten back to London after an hour or so by unseasonal snow.

"We were wet up to our knees," said Mr. Boshirov.

British prosecutors say their initial visit to Salisbury was likely for reconnaissance.

The men said they returned to Salisbury the next day and saw the cathedral—"Very beautiful," said Mr. Boshirov—then walked around the city.

They said they weren't sure whether or not they had passed Mr. Skripal's house, where police said they likely contaminated the 67-year-old former colonel's front door

with the nerve agent Novichok. "Do you know where Skripals' house is?" Mr. Boshirov asked the interviewer, RT Editor-in-Chief Margarita Simonyan.

They said they weren't carrying Novichok, and scoffed at the British assertion that they transported the nerve agent in a women's perfume bottle.

"Isn't it stupid for normal guys to transport women's perfume with them?" Mr. Boshirov said. Customs officers would immediately have questioned them if they had discovered such an item in their luggage, he added.

Asked about their personal lives, the men declined to give many details other than saying

they were businessmen in the sports-nutrition industry.

They said they had called Ms. Simonyan after she had appealed on a social-media channel for them to get in touch following Mr. Putin's comments Wednesday.

Ms. Simonyan wrote on Twitter before the interview aired that "really everyone knows my phone number, even the couriers who deliver flowers on March 8," a public holiday in Russia for International Women's Day. Western officials call RT a Russian propaganda tool.

—Thomas Grove and Ann M. Simmons in Moscow and Jason Douglas in London contributed to this article.

Germany, Italy Make Deal on Migrants

Germany and Italy have agreed in principle to stop illegal immigrants from traveling between the two countries, Germany's interior minister said on Thursday, delivering on a compromise that ended a serious internal crisis in Chancellor Angela Merkel's government earlier this year.

By Bojan Pancevski in Berlin and Marcus Walker in Rome

But news of the deal came as a new dispute erupted in the fractious left-right coalition—this one over the fate of a senior intelligence official—rekindling concerns about the government's stability.

Horst Seehofer, interior minister and one of Ms. Merkel's most ardent critics in her broad conservative movement, said he had reached an agreement with his Italian counterpart, antiestablishment politician Matteo Salvini, to turn back any asylum seeker found to have already applied for asylum in Italy.

Such a deal was a key condition of a settlement to end a dispute between Ms. Merkel and Mr. Seehofer over illegal immigration in July. The conflict came close to toppling the government after Mr. Seehofer, insisting on a broad immigration crackdown that Ms. Merkel opposed, threatened to resign and remove his Bavarian party, the Christian Social Union, from her ruling alliance.

Italy, a nation on the front line of Europe's migration crisis, has recently been barring ships carrying immigrants rescued in the Mediterranean from its ports. The new deal, which is expected to be completed this week, will involve Berlin accepting one newly rescued asylum seeker for each immigrant that gets sent back to Italy, a German government spokeswoman said.

Mr. Salvini, head of Italy's nativist League party, is trying to form alliances with other anti-immigration politicians around the EU while also persuading other EU countries to take in some of the asylum seekers who come to Italy by ship. His problem is that his anti-immigration peers don't want to take in migrants from Italy. In Germany's case, they want to send some back.

By insisting that no deal should result in a net increase in migrants entering Italy, Mr. Salvini managed to cooperate with Mr. Seehofer while preserving his narrative of protecting Italy from immigrants.

Within hours of Mr. Seehofer breaking news of the agreement, however, a new crisis erupted in the government, with Ms. Merkel's other coalition partners, the center-left Social Democrats, demanding that the head of Germany's domestic intelligence agency resign over his description of far-right protests in eastern Germany.

In comments that directly contradicted the chancellor, intelligence chief Hans-Georg Maassen told a newspaper on Sunday extremists hadn't been "hunting down" foreigners during a rally in the eastern city of Chemnitz.

Falling Rial Stymies Iranian Travel Abroad

By ASA FITCH
AND ARESU EQBALI

TEHRAN—Iran's falling currency is causing many Iranians to cancel vacations, business trips, college studies and medical treatment abroad, a retreat in consumer spending that is weighing on the country's troubled economy.

The Iranian rial has lost almost three-quarters of its value against the U.S. dollar since January to hit a low of about 140,000 to the dollar this month. That means goods and services priced in dollars are far more costly, including aviation fuel, making travel prohibitively expensive for many middle-class Iranians.

Foroozan, a 46-year-old Iranian mother of two, said the collapsing currency foiled plans to send her teenage daughter to the Canadian university where she had been enrolled. As a result, she said, her daughter was scrambling last minute to find a spot at a lower-quality college in Iran.

"We had a certain budget that doesn't match the dollar-rate growth and ticket prices," said Foroozan, who gave only her first name because she didn't want to be identified publicly as complaining.

The travel woes are one more headache for an Iranian leadership struggling with a deepening economic crisis,

which aside from the falling currency is also marked by double-digit unemployment and high inflation. Fitch Solutions Macro Research projects a more than 4% contraction in



Istanbul's Sultanahmet district. The rial's fall has curbed visits to Turkey, a popular destination for Iranians.

GDP next year.

The economy has worsened since the Trump administration in May withdrew from a multilateral pact that restrained Tehran's nuclear activities in exchange for sanctions relief. The U.S. reimposed sanctions last month, including on Iran's foreign-currency trade. More U.S. penalties on Iran's oil and banking sectors are set to start in November.

The troubles pose political risks to President Hassan Rouhani's government following demonstrations that broke out across Iran in December. Those protests—the biggest since the so-called Green Movement protests of 2009—were

sparked by discontent over the government's economic management. A security crackdown snuffed them out, but sporadic protests have persisted.

Travel and tourism was expected to support over 1.5 million jobs this year and contribute about 7.3% of gross domestic product directly and indirectly, according to the World Travel and Tourism Council.

The council doesn't have new projections yet, but Australia's CAPA Centre for Aviation projects weekly international airline seat capacity falling to 200,000 in November from a high of above 350,000 in late March.

Travel agencies say bookings have all but dried up, forcing dozens of them to lay off staff or close.

As sanctions bite, major Western airlines are also canceling flights to Iran. Air France, British Airways, the Greek carrier Aegean and the Dutch carrier KLM have all announced plans to stop flights to Tehran in recent weeks. Iranian airlines have also reduced flights. State carrier Iran Air on Sunday cut flights to Dubai, Hamburg and Sweden's Gothenburg.

The changes are particularly felt by a class of more cosmopolitan Iranians who tend to be less hostile toward the West.

Travel abroad for medical procedures—a practice not uncommon among middle- and upper-class Iranians—has all but halted, said Vahid Alinejad, the manager of Tehran's Saadat Seiri Giti travel agency. His company used to get about 10 such passengers a week but he's had none in the past three months.

While Iran doesn't release current statistics on travel abroad, in Turkey, one of the most popular destinations for Iranians because they can get visas on arrival, Iranian visits fell 30% year-over-year in June. Iranian visitors to neighboring Georgia fell by almost 10% year-over-year in July.

"Don't even get me started about prices," said Shahram Chamanfar, an agricultural machinery importer and distributor, as he waited recently with his wife and two children at Tehran's international airport for a flight to Georgia to enroll his son at a university there. He said he already canceled some business trips.

The rial's fall could have a silver lining for Iran's travel industry because it makes travel there cheaper from abroad.

Rochelle Turner, the director of research at the World Travel and Tourism Council, said Iran had already been a competitive destination before the currency's decline, and most travelers to the country come from the Middle East—not from the U.S. or Europe, where sanctions and fear of arrest are more likely to scare them off.

Aide to Israeli Leader Leaves Job After Sex-Assault Accusations

By FELICIA SCHWARTZ

TEL AVIV—An aide to Israeli Prime Minister Benjamin Netanyahu said he is taking time off to clear his name after facing allegations of sexual assault.

David Keyes, the Israeli leader's international media spokesman, said in a statement Thursday that allegations from a New York state Senate candidate, a Wall Street Journal reporter and 10 others cited in a Times of Israel report were "false and misleading." The Journal didn't confirm accusations from the Times of Israel report.

Mr. Keyes said he would take a leave of absence, so as not to distract from the prime minister's work. "I am fully

confident that the truth will come out," Mr. Keyes said.

Mr. Keyes's decision to take leave followed calls from four Israeli lawmakers urging Mr. Netanyahu to suspend his aide because of the allegations.

One of the lawmakers, Michal Rozin of the left-wing Meretz party, said silence by Mr. Netanyahu sends a message of support, and urged him to suspend Mr. Keyes and clarify the facts.

Mr. Netanyahu's office said Thursday that it approved Mr. Keyes's request to go on leave.

Julia Salazar, a New York state Senate candidate, said in a tweet Tuesday that Mr. Keyes sexually assaulted her in his New York City apartment in 2013.

Ms. Salazar said on Twitter

she came forward this week because she feared she would be "outed" after her campaign received an email from a U.S. news organization seeking comment.

Later Tuesday, Shayndi Raice, a reporter for The Wall Street Journal, responded to Ms. Salazar's tweet about Mr. Keyes by posting on Twitter that she "had a terrible encounter with Keyes" in 2013. "No matter how often I said no, he would not stop pushing himself on me," Ms. Raice said.

After those reports, the Times of Israel reported that 10 other women had accused Mr. Keyes of inappropriate behavior.

Mr. Keyes has said all of the accusations against him are "deeply misleading and many of them are categorically false."

France recognized the use of torture by its military during the Algerian War in an attempt by the government of President Emmanuel Macron to heal the wounds of its colonial past.

Mr. Macron met with the widow of Maurice Audin, a mathematician who died under torture during French military custody during a campaign to suppress a rebellion that began in 1954 and led to Algeria's independence.

During the meeting, the president handed her a "declaration recognizing that Maurice Audin died under torture because of a system instituted by France at the time in Algeria," the president's office said.

The legacy of colonial rule in Algeria and other parts of Africa continues to loom large in France.

Algerians migrated to France in droves during and after the war as France became home to one of Europe's largest Muslim minorities.

Many French presidents have avoided discussing France's campaign in Algeria.

—Stacy Meichtry



Madrid protesters calling for Francisco Franco's exhumation.

SPAIN

Parliament Approves Franco's Exhumation

Spain's parliament approved a law to exhume the remains of Francisco Franco from a monumental basilica, paving the way for the former dictator's interment as soon as later this year.

The initiative has uncovered divisions about whether reburying Franco in a lower-profile site will help heal the wounds of Spain's modern history or reopen them.

Franco's relatives must now indicate where they want him to be reburied. If they don't, the government will choose a plot for the remains of the man who ruled Spain from his 1939 victory in the country's civil war until his death in 1975. More than 30,000 victims from the 1936-39 civil war are also buried in the monument.

—Jeannette Neumann

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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S&P 2904.18 ▲ 0.53%**S&P FIN** ▼ 0.15%**S&P IT** ▲ 1.15%**DJ TRANS** ▼ 0.43%**WSJ \$IDX** ▼ 0.31%**LIBOR 3M** 2.334**NIKKEI (Midday)** 23042.83 ▲ 0.97%See more at WSJMarkets.com

GM Recalls One Million Pickups, SUVs

Steering defect is latest sign of problems caused by car makers' reliance on software

By MIKE COLIAS

General Motors Co. is recalling more than one million late-model pickup trucks and large sport-utility vehicles in the U.S. for a steering defect, the latest problem to emerge from the industry's increased use of software to control a car's mechanical functions.

The trucks can lose momentarily their electronically controlled power steering before

it suddenly comes back on, GM said in a filing to federal safety regulators. The flaw, a software problem in the electronic-power-steering module, can cause drivers to lose control especially at slower speeds, the auto maker said.

A GM spokesman said the company is aware of 30 accidents and two injuries but no fatalities tied to the defect. The National Highway Traffic Safety Administration reported the recall on its website on Thursday.

Subject to the recall are the Chevrolet Silverado 1500, GMC Sierra 1500, Chevy Suburban and Tahoe, GMC Yukon and Cadillac Escalade from the

VW Squashes The Beetle

Auto maker to stop building venerable model next year, ending 80-year run..... B3

2015 model year. The vehicle lines, which are among GM's top sellers and its most-profitable products, have the same basic frame.

GM said the trucks at risk of power-steering loss could also have other electrical systems shut down at the same time, including stability control, cruise control or air con-

ditioning. The company said dealers will update the vehicles' software to fix the problem free of charge.

GM didn't disclose the potential cost of the recall. Software fixes typically are less costly than remedies that require changes to mechanical parts.

The growing use of electronics to control hardware like brakes and steering has led a growing proportion of defects tied to the technology.

From 2013 to 2016, electronics-related automotive recalls grew 30% annually on average, about six times faster than the pace in the previous six years, according to a report

from consultancy AlixPartners.

In May, Fiat Chrysler Automobiles NV recalled more than five million vehicles in North America to fix a software glitch that could prevent drivers from turning off their cruise control to reduce their speed.

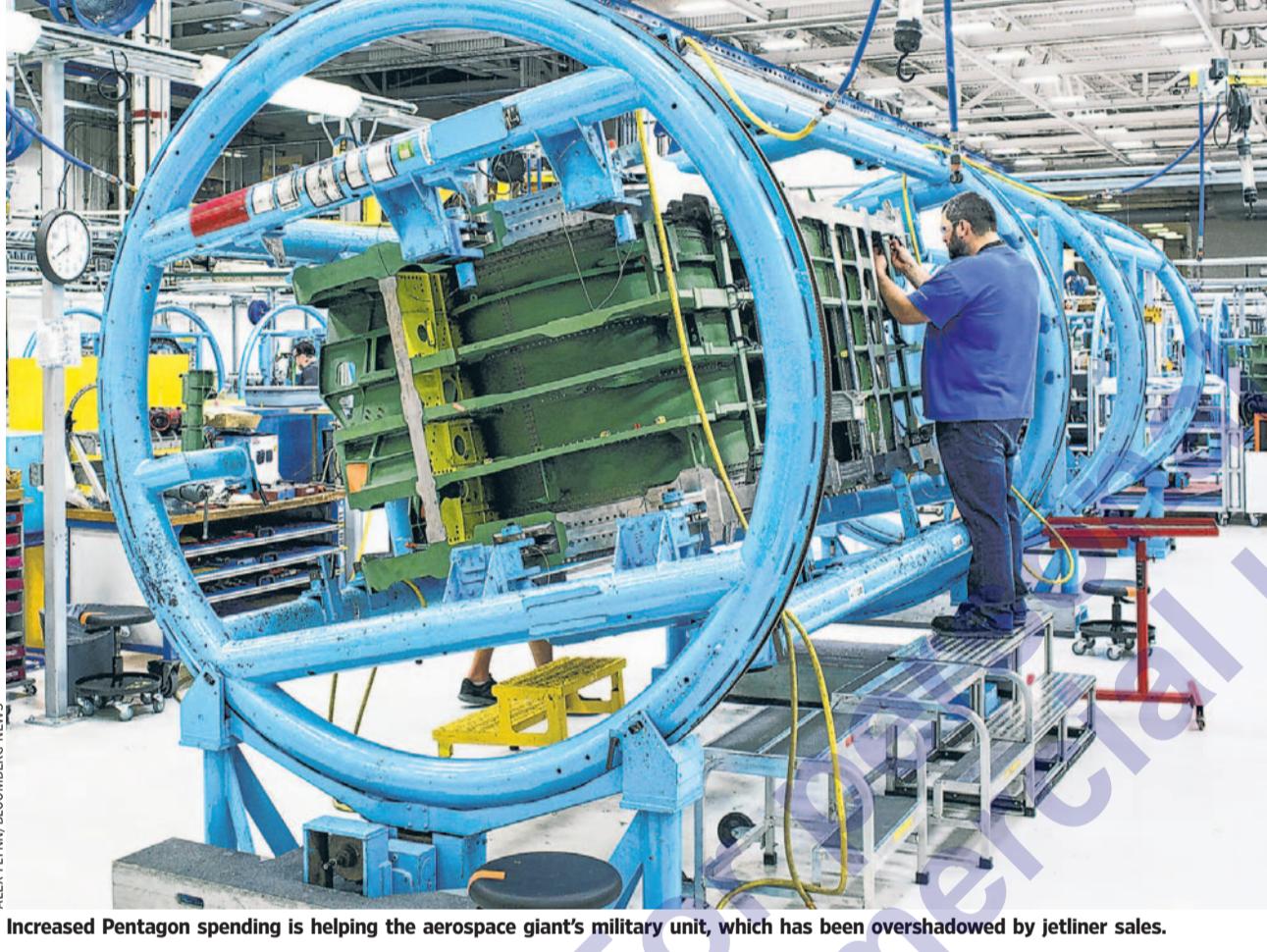
GM's move is the second major recall by a Detroit auto maker in the past week. Ford Motor Co. on Sept. 6 said it would recall about two million F-150 pickup trucks to fix a seat-belt defect that poses a fire risk. Trucks and large SUVs are the most important products for the Detroit auto makers, delivering the bulk of their global profit.

Repair Job

Number of vehicles recalled in the U.S. for 2018, by manufacturer*

Chrysler	7.7 million
Ford	4.2
GM	1.7
Volkswagen	1.5
Toyota	1.2
Others	5.2

*Year-to-date Source: NHTSA
THE WALL STREET JOURNAL.



ALEX FLYNN/BLOOMBERG NEWS
Increased Pentagon spending is helping the aerospace giant's military unit, which has been overshadowed by jetliner sales.

Boeing Retools Its Defense Arm

By DOUG CAMERON

Boeing Co.'s defense business is back on the offensive, with sales at the unit set to rise in 2018 after four years of decline, boosted in part by the Pentagon's plans to increase spending.

Boeing's Defense, Space & Security unit has struggled in recent years as orders ebbed and it didn't win some notable contracts. It then had to defend its Air Force One replacement deal after public complaints over the price from President Trump. Revenue last year was about 15% below its 2013 peak.

Please turn to page B2

Last month, momentum seemed to change when the business won its first big Pentagon competition since 2011, a \$805 million deal to build refueling drones to be based on aircraft carriers, part of a program that Navy officials said could be worth up to \$13 billion.

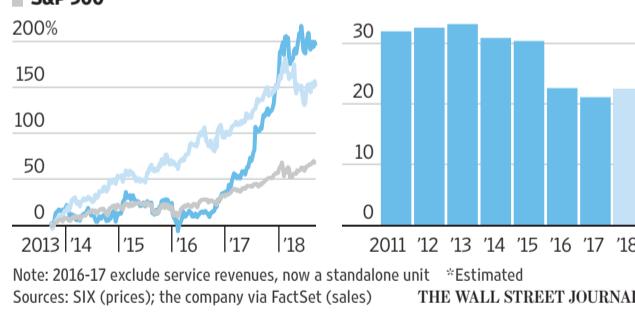
"That's a big win for us," Boeing Chief Executive Dennis Muilenburg said this week.

Boeing has retooled the defense arm in recent years in an effort to win big deals that would offer years or even decades of production and repair work.

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Shrinking Defenses

Boeing's defense sales and backlog peaked in 2013, and are rebounding slower than peers such as Lockheed Martin and Raytheon.



Note: 2016-17 exclude service revenues, now a stand-alone unit *Estimated

Sources: SIX (prices); the company via FactSet (sales) THE WALL STREET JOURNAL.

Retailers Plot Strategies as Crucial Holidays Near

Stores heap perks on their best customers, in shift from old tactic of offering discounts

By SUZANNE KAPNER

Elite AmEx customers carry the Black Card. Soon, **Nordstrom** Inc.'s top shoppers will be granted "icon" status.

After years of competing for shoppers with discounts, retailers are trying a new approach heading into the key holiday season: wooing their biggest spenders with special services and access to private events.

Nordstrom's revamped loyalty program, set to launch this fall and encompassing more than 10 million active members, will recognize its very top customers for the first time. Among other exclusive rewards, their invitation-only "icon" status will include private dinners with designers.

J.Crew Group Inc. stores will open an hour early on Saturday for loyalty members,

who will be treated to a light breakfast while they shop. **Macy's** Inc. platinum cardholders will get special access to its Thanksgiving Day Parade, including an invitation to rehearsals and free grandstand seats.

And Nike Inc.'s new Manhattan flagship, slated to open early next year, will have a members-only floor with exclusive products and services such as personal shoppers.

"Retailers are waking up to the idea that the arms race around monetary rewards isn't sustainable," said Scott Robinson, vice president of design and strategy for Bond Brand Loyalty, a consulting firm.

Hotel chains, airlines, credit-card companies and luxury retailers have for years offered their best customers special perks that go beyond points and discounts. But the vast majority of retailers are only just catching up.

That is one reason retail loyalty programs as a whole are poorly among consumers.

Apparel retailers ranked

Please turn to page B2

Sears sticks to course, closing weak outlets as sales fall steeply and rivals make gains

By SUZANNE KAPNER

Sears Holdings Corp. is limping into the critical holiday season after the retailer reported its quarterly sales fell 26% and it continues to close dozens of stores.

Total revenue fell more than \$1 billion to \$3.18 billion for the three months ended Aug. 4 from a year earlier. Sales excluding newly opened or closed stores fell 4% at Sears and 3.7% at Kmart locations.

The quarterly decline at existing stores wasn't as sharp as it has been in recent quarters. In fact, executives said same-store sales turned positive in July and August. Overall, the company hasn't posted a quarterly gain since 2011.

"We continue to close unprofitable stores, and we are hopeful that we can stabilize our store base at a meaningful

level in the near future," Chief Executive Edward Lampert said.

The company lost \$508 million for the period, compared with a \$250 million loss a year earlier.

The results contrast with other retailers, including **Wal-Mart** Inc. and **Target** Corp., which last month reported

Fewer Shoppers

Monthly foot traffic at Sears stores, change from previous year



Source: inMarket
THE WALL STREET JOURNAL.

some of their strongest sales gains in a decade. The strong economy, rising wages and low unemployment is spurring Americans to spend more at traditional chains, even as **Amazon.com** Inc. continues to expand quickly.

Sears has closed 384 stores since last year and is struggling to attract shoppers to its remaining Sears and Kmart locations. The company had 866 stores as of Aug. 4.

The company, which has struggled for years, has been selling assets, closing stores and getting cash injections to stay afloat from Mr. Lampert, a financier who is its chief executive, chairman, largest shareholder and biggest creditor.

Mr. Lampert said in a blog post that the turnaround "has taken far longer than we expected." He added that Sears, like other retailers, has been hurt by the shift to online shopping but also has been at a disadvantage due to its pension obligations, totaling \$4.5 billion since 2005.

Sears announced the clo-

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Retailers Reward With Perks

Continued from the prior page second from the bottom out of 15 industry sectors in a recent study of more than 800 loyalty programs by Bond Brand Loyalty.

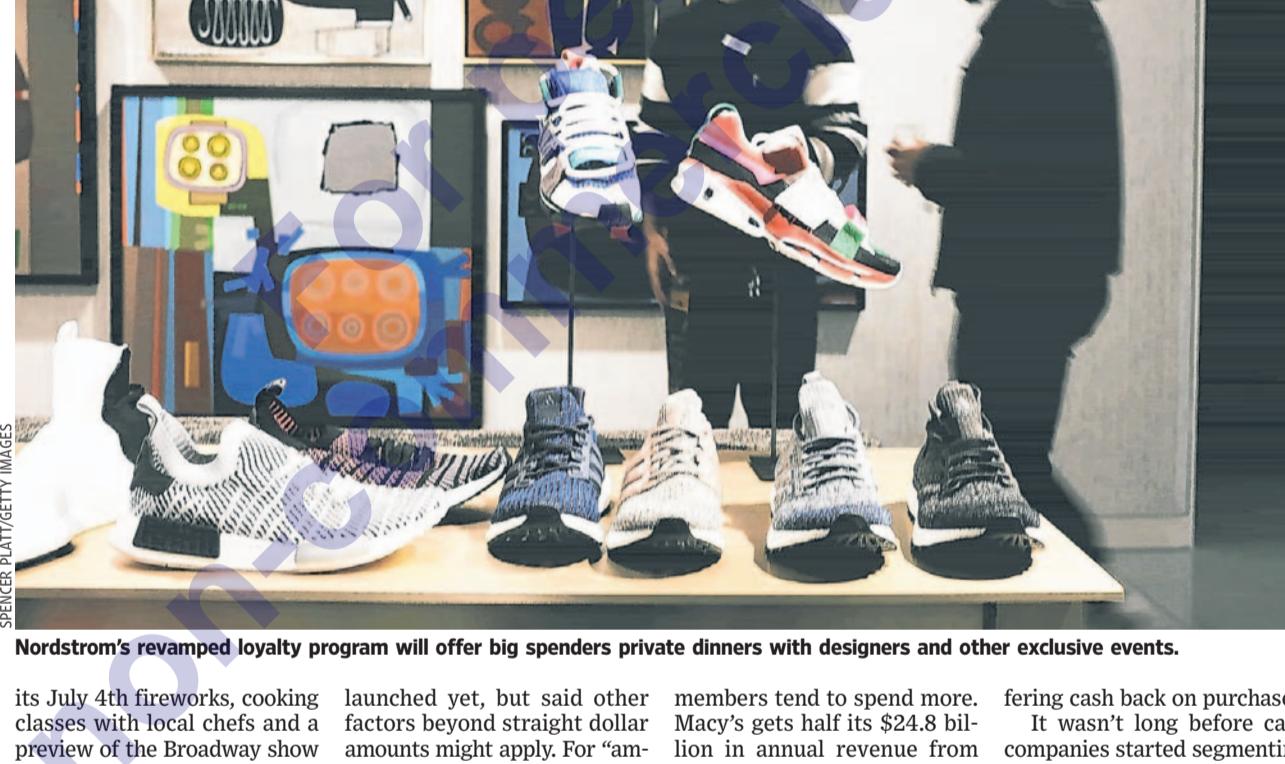
Retailers have spent the past few months retooling their plans to fend off competition from online retailers such as Amazon.com Inc., whose Prime membership is one of the more effective loyalty programs, as well as from travel and entertainment venues, which are taking a bigger slice of consumer spending.

There are still plenty of discounts—Nordstrom's new program allows credit-card members to accrue points at a rate 50% faster than before—but now there are also more invitation-only events and personalized services.

"It's important for consumers to feel like the company 'gets' them," said Adam Brotman, J.Crew's chief experience officer. He said the retailer is planning to launch more members-only events this fall, including one tied to Black Friday as well as providing them with first looks at new collections and customized outfit suggestions.

For the moment, all J.Crew loyalty members are treated equally but Mr. Brotman said the company is planning to introduce tiers next year to reward the highest spenders.

Macy's began offering its best customers, those who spend \$1,200 or more a year, special perks earlier this year, including a private tour of its Flower Show, VIP seating at



Nordstrom's revamped loyalty program will offer big spenders private dinners with designers and other exclusive events.

its July 4th fireworks, cooking classes with local chefs and a preview of the Broadway show "Pretty Woman."

Platinum members get a platinum-colored store card to distinguish them from gold and silver members, whose cards are red.

In Atlanta, shopper Tracey Morris recently sat in the front row at a runway show of a local designer with VIP tickets the 46-year-old financial consultant earned as a platinum member in Macy's Star Rewards program.

"It's something I wouldn't normally do," Mr. Morris said. "The perks make me feel special."

A Nordstrom spokeswoman declined to specify the spending threshold for "icon" status since the program hasn't

launched yet, but said other factors beyond straight dollar amounts might apply. For "ambassador," the chain's current top status, soon to be next highest after "icon," shoppers must spend at least \$5,000 a year. Benefits range from access to beauty and style workshops to in-home stylists.

Companies on average spend between 1% to 3% of their revenue on loyalty programs, according to Caroline Papadatos, who oversees the consulting practice of LoyaltyOne Co., which manages loyalty programs for retailers. But she said the overall investment can be much higher when experiences are layered on top of traditional monetary rewards.

Retailers say it is worth the extra expense since loyalty

members tend to spend more. Macy's gets half its \$24.8 billion in annual revenue from 10% of its customers. And Nordstrom says loyalty members spend four times more than nonmembers.

American consumers got their first taste of rewards programs in the late 1800s with S&H Green Stamps, according to Mark Johnson, the chief executive of Loyalty360, an industry trade group. Shoppers received stamps when they made purchases at participating retailers, glued them into booklets and traded them for goods.

By the 1930s, they were clipping Betty Crocker box tops and by the 1980s they were racking up frequent flier miles. A few years later, credit card companies got into the act, of-

ferring cash back on purchases.

It wasn't long before card companies started segmenting their customers and offering the highest spenders special perks. American Express Co. introduced its ultra-exclusive Centurion Card, known as the Black Card, in 1999. For a \$7,500 initiation fee plus a \$2,500 annual fee, cardholders are eligible for perks including free nights at luxury hotels and personal shopping services.

Neiman Marcus Group Inc. was one of the first retailers to launch a loyalty program in 1984. These days, shoppers who spend more than \$600,000 a year at the department-store chain can choose a complimentary travel excursion and get an array of other services ranging from free in-store dining to fur storage.



Sears's revenue fell by more than \$1 billion in the August quarter.

Sears Loss Widens as Sales Fall

Continued from the prior page sure of an additional 46 stores last month, refinanced some debt and reached a deal to terminate the liens on 12 real-estate properties in return for \$32 million it deposited in an escrow account for its pension plan.

The company also has been in talks with Mr. Lampert who,

through his hedge fund, ESL Investments Inc., has offered to buy the Kenmore brand for \$400 million and the home-improvement business of Sears Home Services for as much as \$80 million.

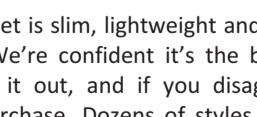
Any deal would include a go-shop period in which Sears could consider higher offers from other parties.

Sears has created a special board committee to evaluate the proposal.

The company's shares, which traded as high as \$144 more than a decade ago, now

change hands at just over \$1. On Thursday, the shares fell 9% to close at \$1.21 but traded up 18% after the market closed. The Rogue Wallet is slim, lightweight and shaped for your front pocket. We're confident it's the best wallet you'll ever use. Test it out, and if you disagree we'll gladly refund your purchase. Dozens of styles to choose from, including our Made in Maine RFID-Blocking Bison shown here. Starting at \$55.00

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ERIC CABAN/AGENCE FRANCE PRESSE/GETTY IMAGES

Continued from the prior page

"This is the year where the first results from all the steps we have taken will be apparent to everybody," Leanne Caret, a 30-year Boeing veteran who has led the defense unit since 2016, said in an interview.

Surging demand for jetliners has overshadowed the pressures on the military business, which as recently as 2010 generated higher sales for Boeing than commercial aircraft. The military unit's share of total sales is now around 30%. The plane business also insulated Boeing shares from investor concerns that the Pentagon budget was close to peaking. Boeing's stock is up 20% so far this year while the broader defense sector is flat, the first time it hasn't outperformed the S&P 500 in seven years.

Mr. Schulz had a difficult start at Airbus. Last March, **Hawaiian Airlines** Inc. abandoned the planned purchase of Airbus long-haul jets in favor of Boeing 787 Dreamliners. **American Airlines Group** Inc. also selected Boeing long-haul planes over a rival offer from Airbus, in a deal valued at \$12 billion at list price.

But at the Farnborough International Air Show in July, the aerospace industry's biggest gathering this year, Airbus, with Mr. Schulz in the top sales role, announced more than \$50 billion in deals before industry-standard discounts. The strength of the demand surprised analysts, though many of the agreements haven't yet hit Airbus's order book.

Boeing will compete with Lockheed later this year for a deal worth up to \$2 billion to make helicopters to protect U.S. nuclear missile bases, and next year faces off with Northrop Grumman Corp. to replace America's land-based nuclear missiles. That program is expected to cost more than \$100 billion.

Analysts said Boeing needs to secure more than the Navy drone deal to convince investors about a turnaround at its military arm.

"The win helps Boeing strategically, but we doubt it will change investor financial ex-

pectations for the company in 2018-2020 given the size of the program relative to Boeing's commercial and services businesses," said Byron Callan at Capital Alpha LLC.

The many contract awards are part of a 20% rise in Pentagon procurement spending in the recently enacted fiscal 2018 budget. Defense officials say they plan to request a smaller rise in 2019.

Ms. Caret, 51 years old, is the daughter of two Boeing workers who met at a space-rocket plant in Louisiana. She took over the defense business months after Boeing's bruising loss to Northrop Grumman in a contest to build B-21 Raider long-range bombers, a program expected to cost \$100 billion.

She said Boeing's bids for new contracts are more competitive because of cost cuts and faster decision-making. Boeing shed thousands of defense jobs over the past five years, reflecting the shrinking order book for its F-15 Eagle fighter jets and other military aircraft. That production line in St. Louis has slowed and even with recent new orders may close by 2025 without new orders for the jet, analysts said.

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BUSINESS NEWS

Big WPP Ad Agency Gets New Leader

By NICK KOSTOV

WPP PLC has tapped Mel Edwards to run one of its largest ad agencies, as the world's biggest advertising company grapples with upheaval across the industry.

Ms. Edwards succeeds Mark Read as chief executive of Wunderman, the agency said, after the latter was promoted to CEO of WPP earlier this month. She was previously head of Wunderman for Europe, Middle East and Africa.

Wunderman is WPP's direct marketing and customer-relationship marketing business, a behemoth operation that has returned to growth in recent

Mel Edwards succeeds Mark Read as Wunderman CEO after his promotion.

years after a period of lackluster financial performance.

It had been run by Mr. Read since February 2015. While there, he consolidated Wunderman offices and reduced the number of brands through which the agency pitched for business. He also broadened Wunderman's operations, which had been focused on direct marketing, to include consulting, business transformation and e-commerce.

Ms. Edwards, who will be based in London, joined Wunderman as head of its U.K. business in 2012, helping to win new business with clients including Coca-Cola Co. and Shell PLC. She was promoted to the role of chief executive for EMEA in 2015, occupying an office adjacent to Mr. Read's as the two worked together to revamp the business.

"What I'm not going to do is change everything and reinvent the wheel," Ms. Edwards said. "We've got something brilliant and my plan is very much to build on what we've been successful at."

Mr. Read has pledged to revamp WPP's organizational structure that has become out of step with a digital age.

Last year, WPP merged digital ad firm Possible Worldwide—which works on behalf of clients such as Procter & Gamble Co., AT&T Inc. and Starbucks Corp.—into Wunderman, part of the ad giant's effort to get its companies to work more closely together.

Wunderman is based in New York and employs 9,200 people across 70 markets.

Beetle Reaches End of the Line

Halt in production marks second time VW model will disappear from U.S.

By CHESTER DAWSON

Volkswagen AG is calling it quits for its iconic Beetle, ending an 80-year global run for a car that introduced many Americans to the German brand in the 1960s.

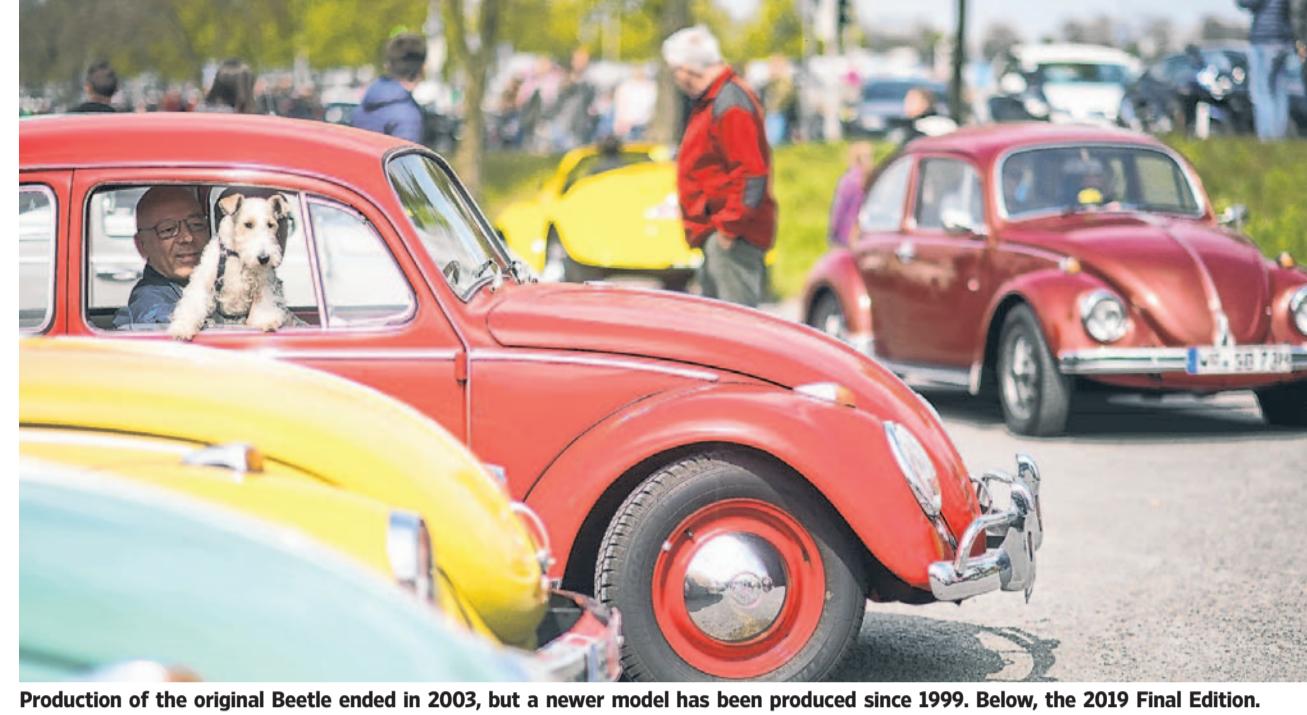
The German auto maker said it would stop building the compact next year at a factory in Mexico, the last plant in the world to make the car.

The latest generation of the Beetle debuted in 2011, but its roots go back to 1938 as VW's first vehicle. It is one of the longest-lived and best-selling vehicles of all time, with 22.7 million sold world-wide.

Production of the original Beetle ended in 2003, but a more-modern version of the car that was larger and had more creature comforts debuted in 1997. The newer model has been produced in Puebla, Mexico, since 1999.

For many Americans, the Beetle is a quintessential "hippie car" of the baby boomer generation, whose success paved the way for an influx of affordable foreign models in the 1970s and 1980s.

VW's decision marks the



Production of the original Beetle ended in 2003, but a newer model has been produced since 1999. Below, the 2019 Final Edition.



VOLKSWAGEN

second time the car will disappear from American showrooms. U.S. sales of the Beetle stopped in 1979 and resumed with the newer iteration of the car in 1998. The revamped Beetle, which featured a dashboard flower vase and front-mounted engine, was replaced by a more muscular-looking version in 2011. But neither redesign caught on like the original among its baby boomer fans or younger generations of

car buyers.

Even though the U.S. is the vehicle's biggest market today, VW sold only 15,000 Beetles in the country last year. That is less than 5% of the 339,700

cars the company sold in the U.S. in 2017.

The Beetle joins a growing number of small-car and sedan models being retired in the U.S. amid a shift in consumer

preference toward crossovers, SUVs and pickup trucks.

U.S. sales of the Beetle peaked at 423,008 cars during the heyday of its popularity in 1968. Buoyed by its success with the car, VW became the first foreign brand to open a factory in the U.S. in 1978. That plant in New Stanton, Pa., was closed amid slumping sales in 1987. VW's U.S. factory in Tennessee now makes Passat sedans and the Atlas SUV.

Kroger Sales Fall Short as Grocer Revamps

By HEATHER HADDON

Kroger Co.'s sales grew less than expected and the grocer said it would sacrifice profit to continue investing in online ordering and other services to compete with Amazon.com Inc. and Walmart Inc.

The largest U.S. supermarket chain by stores and sales has invested in online offerings as well as popular store brands and natural goods at

its supermarkets to help boost traffic. Kroger is also lowering prices and overhauling the layout of its stores. Digital sales grew by more than 50% in the second quarter, Kroger said.

"We are making those investments and they are substantial and significant," Kroger Chief Executive Rodney McMullen said in an interview regarding competing digitally. The company expected its same-store sales to be weaker during

the quarter as it overhauls its stores to prioritize brands its data show sell best, he said.

Investors remain skeptical that those efforts are enough to stave off the threat from Walmart, Amazon.com and others. Kroger on Thursday reported revenue of \$27.9 billion in the quarter ending in August, up slightly from \$27.6 billion the prior year. Analysts had projected sales of \$28 billion. Same-store sales exclu-

ding fuel rose 1.6% in the quarter, compared with the 1.8% analysts expected.

Kroger's shares fell 10% on Thursday, the largest one-day percentage drop since a March earnings report when Kroger also said it would prioritize longer-term investments over immediate profit.

The Cincinnati-based company is one of the last big retailers to report earnings from a second quarter marked by

robust consumer spending.

Walmart, Target Corp., Home Depot Inc. and Nordstrom Inc. reported strong sales for the quarter. Online sales also helped boost retailers.

Grocery purchases drove traffic at Walmart and Target. That has fueled more competition for traditional grocers such as Kroger.

◆ Don't panic over the grocery's chain's sales stumble..... B12

Paying the Price

Kroger's shares fell steeply Thursday after the supermarket chain reported lower-than-expected revenue and same-store sales.

Share price performance



THE WALL STREET JOURNAL.

Walmart to Acquire Latin Delivery Firm

Walmart Inc. agreed to buy Latin American grocery-delivery marketplace **Cornershop** Inc. for \$225 million, the company said Thursday, extending an overhaul of its international retail strategy to focus on digital commerce.

The acquisition follows an investment Walmart recently took in Chinese online grocer Dada-JD Daojia and a working agreement the company struck this year with Japanese grocery-delivery service Rakuten Kobo Inc., actions that come as the retailer is scaling back

bricks-and-mortar operations in the U.K. and Brazil.

Cornershop is a three-year-old startup that runs marketplaces, through an app, for on-demand delivery from supermarkets, pharmacies and other food retailers in Mexico and Chile. The company raised \$21 million in a Series B funding round in 2017 but didn't disclose the valuation based on that backing.

Walmart, the world's biggest retailer by sales, is scaling up its digital operations in the U.S. and worldwide as it copes with relatively lackluster results at storefront operations while the company faces growing competition from online marketplaces such as Alibaba Group Holding

Ltd. of China and Amazon.com.

In its biggest move in international e-commerce so far, Walmart this year spent \$16 billion to buy a controlling stake in Flipkart Group, India's largest e-commerce company.

"We are focused on making life easier for customers and associates by building strong local businesses, powered by Walmart," Judith McKenna, president and chief executive of Walmart International, said in a written statement. "Cornershop's digital expertise, technology and capabilities will strengthen our successful businesses in Mexico and Chile and provide learning for other markets in which we operate."

—Paul Page

UPS Details Plan to Ship More Profitably

By PAUL ZIOBRO

United Parcel Service Inc. believes it has an answer for the flood of lower-margin packages it carries for large shippers like **Amazon.com** Inc.: small businesses and health care.

When such customers ship packages, UPS says it earns revenue and profit multiple times higher than large shippers, which make up a big chunk of the company's delivery volume. That is because small and midsize businesses may not have the bargaining power in rates that large shippers get, while companies shipping medicine and health

products have more time-sensitive commitments that cost more. "We're going to participate in richer pools," Kevin Warren, UPS's chief marketing officer, said at an investor conference Thursday.

UPS executives laid out plans to cater to more profitable customers as the delivery giant faces criticism from analysts that focusing on carrying millions of packages from large shippers has squeezed margins.

UPS also said it is looking to expand in international markets, as well as participate in the continuing growth of the U.S. e-commerce market. It will focus on improving the

revenue per piece it receives across the board and implement higher surcharges on large packages.

Additionally, UPS is cutting costs and operating more efficiently to help offset the huge investments it is making to transform its network with more capacity to process shipments automatically.

The company said the changes would boost earnings by between \$1 and \$1.20 a share by 2022, primarily through cost savings. UPS currently projects per-share earnings of between \$7.07 and \$7.37 for 2018.

Thursday's event, which highlighted recent outside

hires to the top management team, was meant to show that UPS can transform itself as its industry has been overhauled, with more than half of its shipping volume now bound for homes instead of businesses.

Among the biggest changes at UPS is a \$20 billion capital-spending plan, centered largely in the U.S., that will automate a delivery system that still relies on numerous manually operated hubs. By 2020, UPS expects that nearly all of its U.S. packages will be processed in automated sites, versus just around half today.

The first major test will come during the peak holiday season. The company says that network upgrades have added the ability to handle 400,000 more pieces per hour this year, seven times the capacity that it added last year. Forty new aircraft will boost its air capacity by one-third.

Chief Operating Officer Jim Barber said UPS will focus on reliability this peak season, after problems in recent years where its network was overwhelmed by packages during the busiest days leading up to Christmas. He said in years past, UPS focused primarily on forecasting overall volume, but this year it will zero in on where the packages are coming from and where they are headed.

"We think we have a better and much more robust plan this year," Mr. Barber said.



CHARLES PLATIAU/REUTERS
UPS faces criticism from analysts that placing its focus on large shippers squeezes its margins.

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New iPhones Target China

Pricey innovations like bigger screens aim to retain business if not win converts

The signature features of Apple Inc.'s new iPhones—bigger screens and dual-SIM support—speak directly to demands in the all-important China market.

By Yoko Kubota in Beijing and Tripp Mickle in San Francisco

Chinese handset rivals already offer similar features for less money. That means the improvements could help Apple retain its market share in China, but perhaps not win new converts to the company's ecosystem—and that could keep sales flat, analysts say.

"It's still hard for Apple to attract wider Chinese consumers from Android users," said Mo Jia, a Shanghai-based analyst at market-research firm Canalys, citing the iPhone's "extremely high price band compared to local high-end Android products."

The Apple iPhone launch also drew criticism on Chinese social media Thursday. During the launch announcement in Cupertino, Calif., a day earlier, an image of global release dates projected on stage included Taiwan and its flag as distinct from China.

Taiwan has an independent government, but China claims the island as its own and has pushed companies to change online references that suggest Taiwan isn't part of China.

"Apple, what did you mean at the launch event?" the Communist Youth League posted on its Weibo social media account. Apple didn't immediately reply to a request for comment.

The starting price of the new phones by Apple will range from about \$950 to \$1,400 in China, while a hand-



Chinese consumers routinely use their smartphones to shop online, hail cabs, play games and watch live video streaming.

set produced by local rival Huawei Technologies Co. with a dual-SIM-card feature and similar screen size can be found for about \$660.

An acronym for subscriber identity module, SIMs are microchips that allow smartphone users to access a wireless network. With dual SIM, users can use two phone numbers on one device.

After back-to-back years of steep sales declines, Apple's China business has bounced back recently. Revenue in the region rose 16% to \$40.53 billion for the nine-month period ended in June. Greater China accounts for about a fifth of Apple's total revenue.

Yet its market share in China has been treading water. Once the top seller in China, Apple is now the fifth best-selling brand with a 6% market share in the June-ended quarter, down a percentage point from a year earlier, data from Canalys showed.

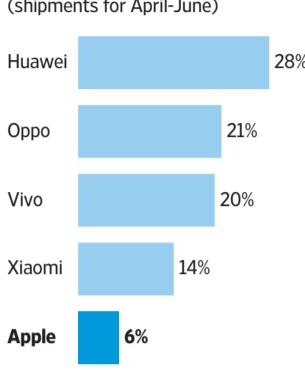
In an effort to revive its fortunes in the region, Apple offered software updates tailored to China including the addition of voice dictation in the Shanghai dialect and support for QR codes, used widely for mobile payments.

With the latest models, Apple took a further step with a China-specific hardware update, willing to stomach the

Stuck in Fifth

Once the top seller in China, Apple now trails homegrown rivals.

China smartphone market share (shipments for April-June)



Source: Canalys

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extra cost of modifying for the Chinese market the dual-SIM-card feature it is adding to the new handsets.

Outside of China, the new iPhones feature a technology that blends a physical SIM with an eSIM technology, a digitally embedded SIM that lets wireless subscribers store a second phone number on the device without a second physical SIM card. But under Chinese regulations, carriers and regulators must be able to track the device user's identity, and that would be difficult to do with eSIM, which would be embedded by Apple and not the carriers.

Therefore, Apple has added trays for the physical SIM cards in China alone, further complicating a difficult supply chain by requiring additional components and different production processes.

Along with dual-SIM slots, Apple introduced two new models with its largest iPhone screens ever. The new iPhones' bigger screens will suit Chinese consumers who routinely use smartphones to go online to shop, pay for goods, hail cabs, play games or watch live video streaming.

—Yang Jie and Xiao Xiao
in Beijing contributed
to this article.

PERSONAL TECHNOLOGY | By David Pierce

Apple's New Pretty Medical Wearable



It has never been exactly clear why the Apple Watch exists. It does a lot of things,

certainly: delivers notifications, tracks fitness, makes phone calls, helps you pay for stuff and lots more besides. Your phone does all of those same things just fine, though, so why spend hundreds more on yet another gadget?

With the new \$399-and-up Apple Watch Series 4, Apple offers the most compelling thing yet for the Watch to do that the iPhone can't: help you monitor and track your health in deep, medically useful ways.

Apple improved the design and performance, which might make previous Watch owners consider an upgrade. However, if you don't have particular health-care needs, and you weren't already a Watch person, the Series 4 might not be different enough to hook you.

Since you are wearing the Watch on your wrist, where its sensors touch your skin all day, it is able to collect a remarkable amount of information about your vitals.

The new model will be able to take an electrocardiogram, which measures the electrical activity in your heart and can be used to identify atrial fibrillation, a common heart condition.

Even if you aren't taking an ECG, the new Watch periodically monitors your heart rate and will alert you if it is worryingly high or low, or if it detects an irregular rhythm.

The Series 4 Watch can even detect when you have fallen down, which sounds potentially priceless in an "I've fallen and I can't get up" emergency.

Even if you don't care about the health features of the Series 4, there is a lot that is new—most notice-

ably, the larger screen. There is also a new processor that Apple says makes the Watch up to twice as fast as its predecessor. Using it felt faster and smoother than ever.

Apple filled the larger screen with more stuff than you have ever seen on an Apple Watch. You can add as many as eight "complications" to some faces, giving you loads of information every time you glance at your device. If you want to see a timer, the weather, the time in Tokyo, the moon cycle, your calendar and your activity stats every time you raise your wrist, you will love all the room to do so.

The complications are part of Apple's broader effort to make everything on the Watch happen in fewer steps. Tapping through menus is miserable on the tiny device, but using Siri to

The larger screen is filled with more stuff than ever seen on an Apple Watch.

launch apps or do simple tasks works fairly well.

If you have an older Watch—anything but the original—you can update to WatchOS 5 on Sept. 17 and get many of those software improvements.

It also has features like Walkie-Talkie, which you can use for quick chats without needing to make a phone call, and new workout settings for yoga and hiking.

I am most interested in the Watch's new ability to automatically trigger workout tracking. I wasn't able to do a spontaneous vinyasa in my briefing, unfortunately, so I will have to test that later.

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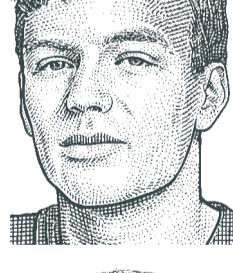
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BUSINESS NEWS



A deliveryman for the Chinese app Meituan Dianping, whose Hong Kong IPO gives the company a valuation close to \$53 billion.

Startup Raises \$4.2 Billion

By JOANNE CHIU
AND LIZA LIN

Chinese startup **Meituan Dianping** raised about \$4.2 billion from its initial public offering in Hong Kong, according to people familiar with the situation, a sign that investors remain keen on fast-growing technology companies.

Meituan, backed by **Tencent Holdings** Ltd., caters to China's growing middle class, which increasingly goes online to do things as diverse as ordering lunch and booking cinema tickets. Its app offers services similar to those of **Grubhub Inc.**, **Groupon Inc.** and **Yelp Inc.**

On Thursday, Meituan's fundraising priced near the top of its target range, contrasting with a lackluster response to smartphone maker **Xiaomi Corp.**'s IPO earlier in the summer, which ultimately raised \$5.4 billion. It came days after the city's benchmark Hang Seng Index entered bear-market territory, off 20% from a January peak, on worries about trade, Chinese growth and a stronger dollar.

Meituan, based in Beijing, has yet to turn an annual profit but its revenue more than doubled last year to about \$5 billion.

The company raised 33.14 billion Hong Kong dollars (US\$4.22 billion) and priced

its offering at HK\$69 a share, according to people familiar with the situation. That price is in the upper half of an earlier range of HK\$60 to HK\$72.

The deal gives the company a market capitalization of close to \$53 billion—a sharp increase from its \$30 billion valuation during a private capital raise in late 2017. The IPO was supported by investors including Tencent and OppenheimerFunds. Hong Kong billionaire Li Ka-shing also plans to purchase some of the shares, according to a person familiar with the matter.

Shares in Meituan are slated to start trading in Hong Kong on Sept. 20.

Goldman Sachs Group Inc.,

Morgan Stanley and **Bank of America Merrill Lynch** are joint sponsors of Meituan's offering.

Separately, investment bank **China Renaissance Holdings Ltd.**, an adviser to various mainland startups including Meituan, set the price range for its own IPO that could raise as much as \$377 million ahead of its debut on Sept. 27.

The Beijing-based financial firm is selling about 85 million shares at HK\$31.80 to HK\$34.80 apiece, according to a term sheet seen by The Wall Street Journal. That would give China Renaissance a market capitalization of as much as \$2.74 billion, before an option to sell more stock.

Redford's Sundance Seeks New Owners

By JAEWON KANG

A retailer founded by Robert Redford is getting ready for a new owner.

Brentwood Associates-backed **Sundance Holdings Group LLC** retained **Lazard Ltd.** and **Financo LLC** to explore a sale, people familiar with the matter said.

Sundance is projected to generate more than \$25 million in earnings before interest, taxes, depreciation and amortization in 2018, the people said. The company's profit has nearly tripled since Brentwood acquired it in 2012, some of the people added.

Salt Lake City-based Sundance sells apparel, accessories, jewelry and home furnishings through various channels. Historically a catalog retailer, the company has focused on expanding digitally and opening more physical stores under Brentwood's ownership.

The company operates 12 retail outlets, with three more expected to open in the coming months, according to its website.

Retailers increasingly are opting for a multichannel strategy to reach more consumers. By selling their wares at bricks-and-mortar locations, online and even through direct media such as catalogs, businesses hope they can secure the loyalty of customers.

Many retailers have struggled because of competition from Amazon.com Inc. and other online entrants, but private-equity firms have still found growth opportunities.

In particular, investors continue to demonstrate healthy levels of interest in niche category leaders and

direct sellers.

Financial sponsors have agreed to \$2.49 billion of deals in the U.S. retail sector this year, according to data provider Dealogic Ltd. That number is on track to surpass the \$2.6 billion in sponsor-backed deals for all of last year.

Sundance Holdings shares its roots with the Sundance Institute, which presents the annual Sundance Film Festival. The company traces its history to 1969, when Mr. Redford bought land now known as Sundance Village in Utah's Wasatch Mountains. He set up a general store for visitors the following year and began putting

Historically a catalog retailer, the company has focused on expanding digitally.

ting together a catalog of items that eventually grew into a full-fledged mail-order business.

The exit from Sundance is likely to pay off handsomely for consumer-focused Brentwood. The Los Angeles firm bought Sundance from Webster Capital and ACI Capital, paying between \$100 million and \$150 million, The Wall Street Journal previously reported.

Brentwood Associates closed last July its sixth private-equity fund at \$1.15 billion, the firm's largest vehicle to date. Among its portfolio companies are restaurant chain Blaze Pizza LLC and retailer J. McLaughlin.

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UNITED STATES BANKRUPTCY COURT, SOUTHERN DISTRICT OF NEW YORK

In re: CENVEO, INC., et al.¹ Chapter 11, Case No. 18-22178 (RDD)
Debtors, et al. (Jointly Administered)

NOTICE OF (A) ENTRY OF CONFIRMATION ORDER CONFIRMING THE FOURTH AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF CENVEO, INC., ET AL., PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE AND (B) OCCURRENCE OF EFFECTIVE DATE

TO ALL CREDITORS, INTEREST HOLDERS, AND OTHER PARTIES IN INTEREST:

PLEASE TAKE NOTICE that on August 21, 2018, the United States Bankruptcy Court for the Southern District of New York ("the "Bankruptcy Court") entered an order ("Docket No. 18-22178 (RDD) Confirmation Order") confirming the Fourth Amended Joint Chapter 11 Plan of Reorganization of Cenveo, Inc., et al., Pursuant to Chapter 11 of the Bankruptcy Code (Docket No. 651) (with all supplements and exhibits thereto, the "Plan").

PLEASE TAKE FURTHER NOTICE that the Effective Date of the Plan occurred on September 7, 2018.

PLEASE TAKE FURTHER NOTICE that pursuant to Article V.B of the Plan, Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts or Unexpired Leases, if any, must be filed with the Bankruptcy Court within thirty (30) days after the date of entry of the order of the Bankruptcy Court (including the Confirmation Order) approving such rejection. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease not Filed within such time will be disallowed upon an order of the Bankruptcy Court, forever barred from assertion, and shall not be enforceable against, as applicable, the Debtors, the Reorganized Debtors, the Estates, or any of the foregoing, except without the need for any objection by the Debtor, the Reorganized Debtor, or any other Entity, and any Claim arising from the rejection of the Executory Contract or Unexpired Lease shall be deemed fully satisfied, released, discharged, and be subject to the permanent injunction set forth in Article VIII of the Plan, notwithstanding anything in the Schedules. If any, or a Proof of Claim to the contrary, Claims arising from the rejection of the Debtors' Executory Contracts or Unexpired Leases shall be classified as General Unsecured Claims and shall be treated in accordance with Article III, Section 8.5 of the Plan.

PLEASE TAKE FURTHER NOTICE that, except with respect to Administrative Claims that are Professional Fee Claims or DIP Facilities Claims, and except as otherwise provided in Article II.A of the Plan and the Confirmation Order, requests for payment of Allowed Administrative Claims other than requests for payment of Administrative Claims arising in the ordinary course of business must be Filed with the Bankruptcy Court and served on the Reorganized Debtor by September 6, 2018, unless an Administrative Claim Bar Date² which is the first Business Day that is 60 days following the Effective Date, except as specifically set forth in the Plan or the Final Order, including the Claims Bar Date Order. EXCEPT AS OTHERWISE PROVIDED IN ARTICLE II.A OF THE PLAN AND THE CONFIRMATION ORDER, HOLDERS OF ADMINISTRATIVE CLAIMS THAT ARE REQUIRED TO, BUT DO NOT, FILE AND

BANKRUPTCIES

SERVE A REQUEST FOR PAYMENT OF SUCH ADMINISTRATIVE CLAIMS BY THE ADMINISTRATIVE CLAIMS BAR DATE SHALL BE FOREVER BARRED, ESTOPPED, AND ENJOINED FROM ASSERTING SUCH ADMINISTRATIVE CLAIMS AGAINST THE DEBTORS, THE REORGANIZED DEBTORS, OR THEIR RESPECTIVE PROPERTY AND ASSETS AND SUCH ADMINISTRATIVE CLAIMS SHALL BE DEEMED DISCHARGED AS OF THE EFFECTIVE DATE.

PLEASE TAKE FURTHER NOTICE that, unless otherwise ordered by the Bankruptcy Court, all final requests for payment of Professional Fee Claims must be Filed with the Bankruptcy Court no later than November 6, 2018, which is the first Business Day that is sixty (60) days after the Effective Date.

PLEASE TAKE FURTHER NOTICE that the terms of the Plan, the Plan Supplement, and the Confirmation Order shall be immediately effective and enforceable and deemed binding upon the Debtors or the Reorganized Debtors, as applicable, and any and all Holders of Claims or Interests (regardless of whether such Claims or Interests are deemed to have accepted or rejected the Plan); and that any and all payments, releases, and injunctions described in the Plan, each Entity's obligations under the Plan, the Confirmation Order and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors.

PLEASE TAKE FURTHER NOTICE that the Plan, the Plan Supplement, the Confirmation Order, and copies of all documents filed in these Chapter 11 Cases are available free of charge by visiting <https://cases.primeclerk.com/cenveo> or by calling Cenveo's restructuring hotline at (855) 219-2678. You may also obtain copies of any pleadings filed in these Chapter 11 Cases for a fee via PACER at <http://www.nysb.uscourts.gov>.

Dated: September 7, 2018, New York, New York

/s/ Jonathan S. Henes, P.C., Jonathan S. Henes, P.C., Joshua A. Sussberg, P.C., George Kilidonas, **KIRKLAND & ELLIS LLP**, Kirkland & Ellis International L.P., 601 Lexington Avenue, New York, New York 10022, Telephone: (212) 446-4800, Facsimile: (212) 446-4900 and James H.M. Spravregen, P.C., Melissa N. Koss, Gregory F. Pesce (admitted pro hac vice), **KIRKLAND & ELLIS LLP**, Kirkland & Ellis International L.P., 601 Lexington Avenue, New York, New York 10022, Telephone: (312) 862-2200, Facsimile: (312) 862-2200, Counsel to Cenveo, Inc., et al.

IF YOU HAVE ANY QUESTIONS ABOUT THIS NOTICE, PLEASE CONTACT PRIME CLERK LLC BY CALLING (844) 219-2678.

¹ The last four digits of Cenveo, Inc.'s tax identification number are 0533. Due to the large number of debtor entities in these chapter 11 cases, which are being jointly administered for procedural purposes, a complete list of the debtor entities and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of Cenveo's claims and noticing agent at <https://cases.primeclerk.com/cenveo>. The location of Cenveo's service address for these chapter 11 cases is: 777 Westchester Avenue, Suite 111, White Plains, New York 10604.

² Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Plan and the Confirmation Order.

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NOTICE OF HEARING ON TRUSTEE'S PROPOSED INTERIM DISTRIBUTION

To all creditors, shareholders, and their successors, and other parties in interest for the Estate of Yellow Poplar Lumber Company, Inc.:

There is pending in the U.S. Bankruptcy Court for the Western District of Virginia a reorganized bankruptcy proceeding for Yellow Poplar Lumber Company, Inc., Case No. 17-07082.

The U.S. District Court reopened the case, originally closed in 1990, because it awarded gas rights to Yellow Poplar Lumber Company, Inc. on June 7, 2017. As a result of the settlement, John M. Lamie, Trustee, received the proceeds from gas wells in which Yellow Poplar Lumber Company owned an interest.

The Trustee has filed a Notice of Proposed Distribution to the unsecured creditors. The proposed distribution will pay the unsatisfied claims of the creditors in full with interest. The rate of interest set by the Court will affect the amount remaining for the Trustee to distribute to the shareholders in the proceeding after the payment of taxes and the costs of administration.

The proposed distribution is available from the Trustee's office below or at his firm's website blglaw.us.

If you have an objection to the proposed distribution and you would like the Court to consider it, then on or before September 28, 2018, you or your attorney must file with the Court a written objection. A hearing on the Motion will be held on October 4, 2018 in the U.S. District Courtroom, 180 W. Main Street, Abingdon, VA 24215.

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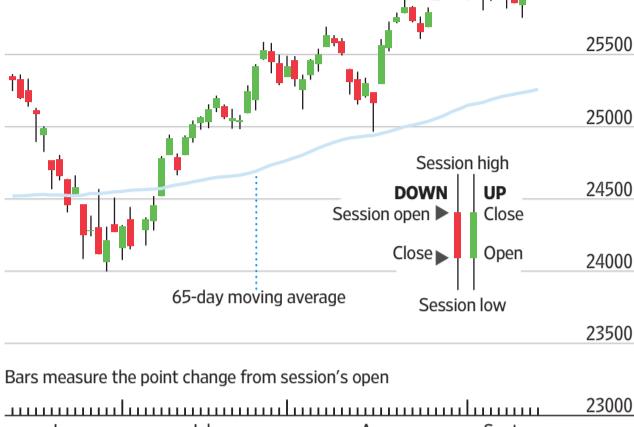
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 P/E estimate * 16.76 18.39
 Dividend yield 2.06 2.30
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June July Aug. Sept. 23000

*Weekly P/E data based on as-reported earnings from Binyi Associates Inc.

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 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.20 23.82
 P/E estimate * 17.84 18.83
 Dividend yield 1.81 2.00
 All-time high 2914.04, 08/29/18



Session high DOWN UP Close
 Session open ► Open
 Close ► Open
 Session low

June July Aug. Sept. 2600

65-day moving average

Nasdaq Composite Index

8013.71 ▲ 59.48, or 0.75%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.75 25.87
 P/E estimate * 21.40 21.43
 Dividend yield 0.96 1.11
 All-time high: 8109.69, 08/29/18



Session high DOWN UP Close
 Session open ► Open
 Close ► Open
 Session low

June July Aug. Sept. 7200

65-day moving average

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	PHLX\$ Gold/Silver	PHLX\$ Oil Service
Industrial Average	26191.64	26067.08	26145.99	147.07	0.57	26616.71	22203.48	17.8	5.8	16.7
Transportation Avg	11577.43	11450.21	11462.27	-49.75	-0.43	11554.08	9440.87	20.5	8.0	12.5
Utility Average	741.98	731.97	741.96	6.86	0.93	774.47	647.90	-0.4	2.6	10.5
Total Stock Market	30200.06	30089.85	30160.02	137.57	0.46	30290.78	25809.05	16.9	9.0	13.7
Barron's 400	780.49	775.83	776.81	-0.89	-0.11	786.73	651.79	19.2	9.3	13.8

Nasdaq Stock Market

Nasdaq Composite	8037.51	7989.85	8013.71	59.48	0.75	8109.69	6370.59	24.6	16.1	18.4
Nasdaq 100	7578.76	7531.66	7561.69	73.62	0.98	7660.18	5867.35	26.7	18.2	20.5

S&P

S&P 500 Index	2906.76	2896.39	2904.18	15.26	0.53	2914.04	2495.62	16.4	8.6	14.0
MidCap 400	2044.36	2035.37	2039.23	3.04	0.15	2050.23	1746.67	16.7	7.3	13.0
SmallCap 600	1083.23	1077.52	1078.98	-0.33	-0.03	1098.36	855.75	26.1	15.2	17.2

Other Indexes

Russell 2000	1722.62	1711.94	1714.32	-1.38	-0.08	1740.75	1425.02	20.3	11.6	14.0
NYSE Composite	13055.34	13000.72	13034.61	44.51	0.34	13637.02	12062.62	8.1	1.8	9.1
Value Line	587.19	584.68	585.62	0.94	0.16	593.57	524.12	11.7	4.1	8.6
NYSE Arca Biotech	5169.94	5121.05	5150.14	26.32	0.51	5342.46	4045.25	23.4	22.0	9.2
NYSE Arca Pharma	588.33	582.62	588.04	5.42	0.93	593.12	516.32	7.1	7.9	2.1
KBW Bank	108.88	107.00	107.10	-1.18	-1.09	116.52	93.34	14.7	0.4	14.5
PHLX\$ Gold/Silver	65.15	63.45	63.74	-0.32	-0.50	92.08	61.92	-28.3	-25.3	12.3
PHLX\$ Oil Service	141.22	139.45	140.03	-1.13	-0.80	170.18	127.61	5.0	-6.4	-6.4
PHLX\$ Semiconductor	1378.80	1356.49	1362.20	16.18	1.20	1449.90	1126.40	20.8	8.7	30.3
Cboe Volatility	12.91	12.30	12.37	-0.77	-5.86	37.32	9.14	18.5	12.0	-18.9

\$ Nasdaq PHLX

Sources: SIX Financial Information; Dow Jones Market Data

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 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	5,539.3	290.79	-0.04	-0.01	290.96	289.22
iShares MSCI Emg Markets	EEM	4,835.1	41.99	-0.01	-0.02	42.09	41.73
Annaly Capital Mgmt	NLY	3,811.8	10.19	0.01	0.10	10.23	10.18
Ford Motor	F	3,194.7	9.36	-0.01	-0.11	9.39	9.35
General Motors	GM	2,340.9	34.20	-0.05	-0.15	34.25	34.09
Hewlett Packard Ent	HPE	2,311.9	16.55	0.01	0.06	16.66	16.35
NIO ADR	NIO	2,211.2	11.99	0.39	3.36	12.06	11.01
Bank of America	BAC	2,146.6	30.15	0.01	0.03	30.28	30.09

Percentage gainers...

Radiant Logistics	RLGT	93.0	5.60	1.00	21.74	5.
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COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; \$ per lb.								
Sept. 2,6625 2,6960 2,6555 2,6645 0.060 2,621	March 2,866 2,896 2,850 2,858 -0.016 201,925							
Dec. 2,6850 2,7175 2,6730 2,6830 0.070 144,623	April 2,610 2,632 2,604 2,610 -0.007 160,465							
Gold (CMX)-100 troy oz.; \$ per troy oz.								
Sept. 1203,40 1203,40 1200,00 1202,00 -2.70 53	Corn (CBT)-5,000 bu.; cents per bu.							
Oct. 1207,00 1212,40 1200,00 1202,80 -2.70 37,789	Sept. 344,50 344,50 337,00 336,25 -5.25 259							
Dec. 1212,40 1218,00 1205,00 1208,20 -2.70 362,874	Dec. 354,50 355,75 348,75 350,50 -2.00 965,307							
Feb'19 1217,20 1223,50 1211,50 1214,00 -2.70 40,111	Oats (CBT)-5,000 bu.; cents per bu.							
June 1227,20 1235,20 1224,60 1225,70 -2.70 11,007	Dec. 247,75 248,00 241,25 242,50 -4.25 3,505							
Dec. 1246,40 1252,50 1242,10 1243,80 -2.80 4,753	March'19 246,75 -4.00 314							
Palladium (NYM)-50 troy oz.; \$ per troy oz.	Soybeans (CBT)-5,000 bu.; cents per bu.							
Sept. 996,60 999,90 996,00 997,00 3.70 51	Sept. 828,25 831,75 828,25 822,75 -6.25 426							
Dec. 964,70 973,60 963,20 968,70 3.70 16,266	Nov. 838,75 846,25 832,00 833,25 -6.75 440,090							
March'19 962,30 968,30 961,00 963,40 4.20 611	Soybean Meal (CBT)-100 tons; \$ per ton.							
Platinum (NYM)-50 troy oz.; \$ per troy oz.	Sept. 314,60 314,60 311,30 311,30 -4.40 134							
Oct. 800,40 813,70 799,30 803,30 3.40 70,060	Dec. 317,20 318,90 314,40 314,90 -3.50 228,061							
Jan'19 803,30 816,20 802,40 806,20 3.20 23,283	Soybean Oil (CBT)-60,000 lbs.; cents per lb.							
Silver (CMX)-5,000 troy oz.; \$ per troy oz.	Sept. 27,57 27,63 27,57 27,44 -1.19 305							
Sept. 14,135 14,255 14,135 14,244 -0.049 455	Dec. 27,97 28,19 27,77 27,79 -2.20 268,395							
Dec. 14,295 14,390 14,190 14,244 -0.049 180,144	Rough Rice (CBT)-2,000 cwt.; \$ per cwt.							
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.	Sept. 10,770 10,950 10,700 10,770 2.00 6,737							
Oct. 70,25 70,28 68,35 68,35 -1.78 233,987	Wheat (CBT)-5,000 bu.; cents per bu.							
Nov. 70,02 70,04 68,16 68,41 -1.75 342,462	Sept. 496,00 496,00 475,50 471,75 -10.00 188							
Dec. 69,90 69,91 68,07 68,35 -1.69 287,114	Dec. 505,00 510,00 495,25 497,00 -9.75 225,169							
Jan'19 69,73 69,73 67,97 68,25 -1.63 154,742	Wheat (KCO)-5,000 bu.; cents per bu.							
June 68,56 68,56 66,94 67,27 -1.40 166,901	Sept. 496,00 496,00 475,50 471,75 -10.00 188							
Dec. 66,74 66,74 65,34 65,69 -1.20 234,926	Wheat (MPLS)-5,000 bu.; cents per bu.							
NY Harbor Usld (NYM)-42,000 gal.; \$ per gal.	Sept. 565,00 567,75 560,25 562,00 -3.00 33,720							
Oct. 2,2602 2,2620 2,2168 2,2235 -0.042 109,368	Cattle-Feeder (CME)-50,000 lbs.; cents per lb.							
Nov. 2,2631 2,2633 2,2199 2,2264 -0.046 81,057	Sept. 154,700 155,050 152,75 154,950 .325 2,971							
Gasoline-Ny RboB (NYM)-42,000 gal.; \$ per gal.	Oct. 154,900 156,000 ▲ 152,375 155,400 .375 14,602							
Oct. 2,0348 2,0362 1,9800 1,9929 -0.049 100,656	Hogs-Lean (CME)-40,000 lbs.; cents per lb.							
Nov. 2,0154 2,0184 1,9645 1,9764 -0.0391 137,116	Sept. 55,800 56,475 54,075 55,675 .5675 59,143							
Natural Gas (NYM)-10,000 MMBtu; \$ per MMBtu.	Dec. 55,700 56,175 53,975 55,925 .300 83,950							
Oct. 2,824 2,856 2,805 2,817 -0.12 153,129	Lumber (CME)-110,000 bd. ft. \$ per 1,000 bd. ft.							
Nov. 2,815 2,844 2,795 2,800 -0.02 231,528								
Dec. 2,905 2,933 2,884 2,890 -0.02 157,512								
Jan'19 2,992 3,023 2,974 2,981 -0.02 189,285								

Cash Prices | WSJ.com/commodities

Thursday, September 13, 2018

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Energy

	Thursday	Thursday	Thursday
LBMA spot price (\$U.S. equivalent)	*\$10,900		
Coins;wholesale \$1,000 face-a	*\$14,1550		
	10551		
Other metals			
LBMA Platinum Price PM	*\$788,0		
Platinum,Engelhard industrial	813,0		
Platinum,Engelhard fabricated	913,0		
Palladium,Engelhard industrial	987,0		
Palladium,Engelhard fabricated	1087,0		
Aluminum, LME; \$ per metric ton	*\$1981,5		
Copper,Comex spot	2,6645		
Iron Ore, 62% Fe Crf China-s	n.a.		
Shredded Scrap, US Midwest-s.m.	n.a.		
Steel, HRC USA, FOB Midwest Mill-s	n.a.		
Metals			
Gold, per troy oz			
Engelhard industrial	1213,71		
Engelhard fabricated	1304,74		
Handy & Harman base	1209,80		
Handy & Harman fabricated	1342,88		
LBMA Gold Price AM	*\$197,80		
LBMA Gold Price PM	*\$195,60		
Krugerrand,wholesale-e	1251,12		
Maple Leaf-e	1263,15		
American Eagle-e	1263,15		
Mexican peso-e	1458,46		
Austria crown-e	1182,18		
Austria phil-e	1263,15		
Silver, troy oz.			
Engelhard industrial	14,3100		
Engelhard fabricated	17,1720		
Handy & Harman base	14,2400		
Handy & Harman fabricated	17,8000		

Metals

	Thursday	Thursday	Thursday
Burk,10-oz,40-inch NY yd-n,w	0,5700		
Cotton,11/16 std wh-mdMphs-u	0,8012		
Cotlook 'A' Index-t	*\$24,40		
Hides,hvy native steer piece fob-u	55,000		
Wool,64s,staple,Terr del-u,w	n.a.		
Fibers and Textiles			
Barley,top-quality Mnpls-u	n.a.		
Bran,wheat middlings, KC-u	81		
Corn, No.2 yellow,Cent IL-bu,p	3,0550		
Corn gluten feed,Midwest-u,w	116,5		
Corn gluten meal,Midwest-u,w	433,8		
Cottonseed meal,u,w	260		
Hominy feed,Cent IL-u,w	95		
Meat-bonemeal 50% pro Mnpls-u,w	225		
Oats,No.2 milling,Mnpls-u	2,8400		
Rice, Long Grain Milled, No. 2 AR-u,w	247,5		
Sorghum,(Milo) No.2 Guif-u	n.a.		
Food			
Beef,carcass equiv.index choice 1-3,600-900 lbs.-u	176,67		
select 1-3,600-900 lbs.-u	167,92		
Broilers, National comp wghtd-u,w	0,8281		
Butter,AA Chicago	2,2350		
Cheddar cheese,blk,Chicago	147,00		
Cheddar cheese,blk,Chicago	162,00		
Milk,fatnot dry,Chicago lb.	87,25		
Cocoa,Ivory Coast-w	n.a.		
Coffee,Brazilian,Comp	1,0190		
Coffee,Colombian, NY	1,2799		
Eggs,large white,Chicago-u	0,9150		
Flour,hard winter KC	14,25		
Hams,17-20 lbs,Mid-US fob-u	52,68		
Hogs,Iowa So. Minnesota-u	52,68		
Pork bellies,12-14 lb MidUS-u	n.a.		
Pork loins,13-19 lb MidUS-u			

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISIE.

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.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Thursday, September 13, 2018

Net

Stock Sym Close Chg

A B C

ABB ABB 24.03 0.42

ADT ADT 8.59 -0.02

AES AES 13.45 0.22

Aflac AFLC 46.70 0.39

AGNC Inv AGNC 18.95 0.11

ANGI Homesvc ANGI 23.32 0.84

ANSS ANSS 186.5 1.00

ASML ASML 182.0 0.63

AT&T T 33.68 0.26

AbbottLabs ABT 68.58 1.53

AbbVie ABBV 96.33 0.39

Albomed AMBD 390.94 -2.00

Accenture ACI 172.07 1.72

ActivisionBlz ATVI 80.43 -0.09

AcuityBrands AYI 158.12 3.01

AdobeSystems ADBE 268.52 0.73

AdvanceAuto AAP 167.63 -0.37

AdvMicrDevice AMD 30.48 -1.73

Aegon AEG 6.07 0.02

AerCap AER 56.82 0.12

Aetna AET 203.03 -0.40

AffiliatedMtrs AMG 140.70 -1.45

AgilentTechs A 69.33 1.42

AgnicoEagle AEM 33.35 -0.57

AirProducts APP 167.63 1.39

AlcatelTech ACM 76.16 0.15

AlaskaAir ALK 68.42 0.66

Albemarle ALB 106.61 1.49

Alcoa ALC 41.7 -0.25

AlexandriaEst ABC 128.02 0.38

AlexionPharm ALXN 119.05 0.84

Alibaba BABA 165.53 4.07

AlignTech ALGN 376.4 -2.19

Alkermes ALKS 39.70 -0.18

Alleghany Y 626.61 1.84

AlliGen All 89.34 -0.40

Allergan AGR 100.08 -0.26

AllianceData ADD 243.36 -0.18

AlliantEnergy LNT 43.90 0.31

AllisonTransm ALSN 51.39 -0.25

Allstate ALL 99.05 1.47

AllyFinancial ALY 26.55 0.01

AlynPharm ALNY 49.9 0.21

Alpharetta C GOOG 117.53 12.51

Alpharetta A GOOGL 118.21 10.54

Altavista ATVA 34.03 -0.09

Alteon AYI 158.12 3.01

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AlynPharm ALNY 49.9 0.21

Alpharetta C GOOG 117.53 12.51

BANKING & FINANCE

Florence Exposes Billions of 'Cat Bonds'

Severity of storm is critical to determining how much debt would actually pay out

BY NICOLE FRIEDMAN

Roughly \$14 billion in outstanding catastrophe bonds have potential exposure to hurricane damage in North or South Carolina, according to reinsurance broker Aon Securities.

But analysts say the severity of the storm will determine how many of the "cat bonds" would actually pay out.

"You have many, many bonds that are exposed to North Carolina and South Carolina, but it would take quite a large event before those bonds are affected," said Bill Dubinsky, head of insurance-linked securities at insurance broker Willis Towers Watson.

Pension funds, endowments and wealthy families have piled billions into cat bonds in recent years as they sought diversification and higher returns.

There are now \$30 billion of these securities outstand-

ing, up from roughly \$26 billion a year ago, according to Aon.

The bonds allow insurance companies to transfer some of their financial risk to the capital markets and get help paying claims after hurricanes or earthquakes.

The risk to bondholders is that they can lose their principal if certain events occur, such as hurricane winds above a certain speed or damages that exceed a certain dollar threshold.

Some insurance executives warned that cat-bond investors might leave the market following huge losses from hurricanes, wildfires and other catastrophes in 2017. That year, global insured losses from natural disasters and man-made catastrophes totaled a record \$144 billion, according to reinsurer Swiss Re.

But investment in cat bonds and other insurance-linked securities has grown in the past year, leaving the insurance and reinsurance sectors with an oversupply of capital. That means there is minimal risk that insurers will run out of money to pay claims, analysts and execu-



Windows of a business in Texas were boarded up last year as a hurricane intensified in the Gulf.

2017.

The cat bond and other reinsurance puts the NFIP in a "better position to manage losses," NFIP Chief Executive David Maurstad said last month.

Another bond focused on the Southeast U.S. was issued by Florida-based **Frontline Insurance** in June. The bond would cover \$350 million in losses from named U.S. storms in the Carolinas, Alabama or Florida.

Frontline didn't respond to requests for comment.

The biggest home insurers by market share in North Carolina include **State Farm**, **North Carolina Farm Bureau Mutual Insurance Co.**, **Nationwide Mutual Insurance Co.** and **Allstate Corp.** The top home insurers in South Carolina are **State Farm**, **USAA** and **Travelers Cos.**

Beyond cat bonds, investors such as pension funds could be exposed to losses from Florence through other insurance or reinsurance arrangements. The total market for so-called insurance-linked securities, including cat bonds, stands at roughly \$100 billion, according to data provider Artemis.

tives say.

"We're better capitalized than we've ever been," said David Flandro, global head of analytics at JLT Re, a reinsurance broker.

One cat bond that could be triggered by Florence was issued by the Federal Emergency Management Agency in

July to help cover flood losses. Florence is expected to pound the Carolinas with rain and could cause significant flooding.

While homeowners insurance typically covers damage from hurricane winds, homeowners usually have to buy separate flood insurance from

FEMA's National Flood Insurance Program.

The FEMA cat bond would cover as much as \$500 million of the NFIP's losses for a single event, but only if those losses exceed \$5 billion. The NFIP paid nearly \$10 billion in claims following hurricanes Harvey, Irma and Maria in

SEC Pulls Proxy-Adviser Guidance

BY DAVE MICHAELS

U.S. public companies scored an early victory in a longstanding fight to curb the impact of consultants who influence shareholder votes on hot-button topics such as executive pay.

The Securities and Exchange Commission on Thursday waded into the dispute on Thursday by rescinding a pair of roughly 15-year-old letters written by its staff. The letters had given mutual-fund managers greater assurance to rely on a consultant's recommendations about matters up for a vote at a public company's annual meeting.

Many corporations and Republicans in Congress say the letters boosted the influence of consultants known as proxy advisers, including **Institutional Shareholder Services**, which sometimes opposes big CEO pay packages.

The U.S. Chamber of Commerce has pushed lawmakers and the SEC to quash the letters and more tightly regulate ISS and its main rival, **Glass Lewis & Co.**

The Chamber praised the SEC's move. The business group has argued that ISS and Glass Lewis form a duopoly that enjoys sweeping influence over corporate-governance matters through their recom-



Chairman Jay Clayton said SEC staff statements are nonbinding.

mendations.

ISS said the SEC's change wouldn't disrupt how investors employ its advice.

"Corporate lobbyists have created a mythology surrounding these letters in an attempt to undermine the important work we do for our sophisticated institutional investor clients," said ISS General Counsel Steven Friedman.

A spokesman for Glass Lewis didn't respond to a request for comment.

SEC Commissioner Robert Jackson Jr., a Democrat, questioned the decision to change how investors interact with proxy advisers.

"It's hard to imagine that, upon a survey of all the problems that plague corporate

America, the commission could conclude that investors receiving too much advice about how to vote their shares—advice they are free to, and often, disregard—is one that deserves our immediate attention," he said.

The SEC staff's letters, issued in 2003 and 2004, said mutual-fund managers could outsource their voting decisions to entities such as ISS when they have a conflict of interest, such as a separate business relationship with the public company whose shares its funds own. For instance, some asset managers have contracts with public firms to manage the corporation's pension funds. That could give the investment firm an incentive

to side with corporate managers on controversial votes.

Experts in mutual-fund law said the SEC's move will create uncertainty for investment advisers. The SEC's rules generally require mutual-fund managers to vote on items listed on the annual proxy statement for stocks owned by their funds. Proxy statements list items that are up for a vote at the annual meeting.

The SEC's move "leaves advisers and particularly fund advisers without a clear and established path for how to vote proxies in many cases," said John Baker, an expert in the regulation of mutual funds at Stradley Ronon Stevens & Young LLP.

The SEC's move Thursday came after a letter from six Republican senators who asked the Government Accountability Office last month to rule whether the SEC overreached in issuing the letters in 2003 and 2004.

SEC Chairman Jay Clayton said Thursday that public statements from the SEC's staff members are "nonbinding

and create no enforceable legal rights or obligations." Mr. Clayton said the SEC would "continue to review whether prior staff statements and staff documents should be modified, rescinded or supplemented."

Deutsche Bank Taps New Anti-Crime Chief

BY JENNY STRASBURG

Deutsche Bank AG promoted a London-based senior risk officer to oversee financial-crime-fighting responsibilities globally, replacing an executive who is leaving for Danske Bank, according to a memo to employees released Thursday.

Stephan Wilken, who has been with Deutsche Bank more than 20 years, will become head of anti-financial-crime and chief of anti-money-laundering Oct. 1, according to the memo from Sylvie Matherat, the bank's chief regulatory officer and a management-board member.

His appointment is still subject to regulatory approvals. He will report to Ms. Matherat and will be based in Frankfurt, according to the memo.

Mr. Wilken succeeds Philippe Vollot, who took over the anticrime role in January 2017.

Danske, Denmark's largest bank, announced in July that Mr. Vollot will become chief compliance officer and would join its executive board no later than December 2018.

Danske is facing a raft of investigations into whether

companies with ties to Russia used it to launder billions of dollars. Danske has said it is completing a probe into the matter and expects to publish results this month. A Danske spokesman declined to comment further.

Deutsche Bank, which named Christian Sewing as CEO earlier this year, has suffered turnover in the top anti-

The bank has suffered turnover in the role in recent years amid battles over staffing.

financial crime role in recent years amid internal battles over staffing and budgets. Improving the bank's money-laundering controls has been a priority, executives have said, following a series of investigations and fines over compliance and money flows.

Most recently, since 2015 Mr. Wilken has been Deutsche bank's global head of enterprise risk management. He has been based in London, reporting to the bank's chief risk officer, Stuart Lewis.

Founders Of Closed Fund Plan Comeback

BY RACHAEL LEVY

Richard Schimel and Lawrence Sapanski ran a \$6 billion hedge fund that shut down earlier this decade following an insider-trading investigation. Now they plan a return to the industry.

Messrs. Schimel and Sapanski plan to launch a new hedge fund and raise at least \$500 million from clients, people familiar with the matter said.

The firm, which doesn't yet have a name, is in the early stages of planning, and the plans could change.

Messrs. Schimel and Sapanski declined to comment.

Messrs. Schimel and Sapanski previously founded Diamondback Capital Management in 2005.

That firm closed after a portfolio manager was accused of insider trading and the Federal Bureau of Investigation raided Diamondback during a wide-ranging insider-trading probe. Diamondback wasn't accused of wrongdoing and entered into a nonprosecution agreement with the government, paying about \$9 million in disgorgement and penalties. Messrs. Schimel and Sapanski weren't accused of any wrongdoing.

STREETWISE | By James Mackintosh

Yield Curve and Other Markers Fail to Give Clear Directions

Economists, financiers and regulators have spent much of the past few weeks discussing how, 10 years on from Lehman's failure, a repeat can be avoided. The sad truth for investors is that the next bear market is likely to produce panic and hefty losses, even without another financial crisis. And it might not be too far away.

Working out exactly when is, to put it mildly, tough. But throughout history, recessions have gone hand-in-hand with major market drops. So one approach is to try to predict recessions, and sell beforehand. Another is to look for vulnerable markets, on the basis that the spark for recession may come from falling prices.

Unhappily, forecasting recessions is hard, and economists have failed miserably at it in the past.

But to simplify massively, recessions happen when the economy runs out of cheap money or resources to support growth.

The cost of money is low in historical terms, but high when compared to what investors believe is sustainable in the long term. We can measure that by comparing the yield of short-term and long-term debt,

known as the yield curve. When the cost of short-term money rises above 10-year yields, a U.S. recession has almost always followed.

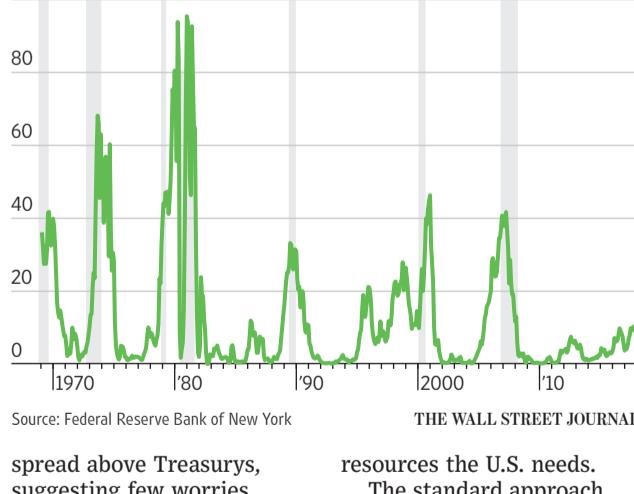
The yield curve hasn't yet inverted, but the New York Fed's model based on yields puts the probability of a recession in the next 12 months at 15%. That is the highest since the last recession and the same as in the summer of 2006, about 18 months before the recession began.

The yield curve isn't the last word on recessions, and there are reasons to doubt its forecasting power. It has been much less reliable in other countries, predicting only one of the past five Japanese recessions and four of the past two U.K. recessions. Some economists believe it may be less useful now in the U.S., too, as quantitative easing and low global rates have depressed the 10-year yield.

Instead of forecasting, we could look for signs that money is tight by watching the most vulnerable markets. Turmoil in the Turkish lira and Argentine peso may be linked to the increased cost of borrowing in dollars, with the pair having among the biggest current-account deficits. Yet even junk-rated U.S. companies are still able to borrow at a very low

Recession Risk Rising

Forecasts based on Treasury yields alone suggest the risk of a U.S. recession in the next 12 months has risen, but only to 15%.



spread above Treasuries, suggesting few worries domestically.

On the resource side, oil is a natural place to look for shortages that might constrict the economy. Crude prices soared ahead of the 2008, 2001, 1980 and 1974 recessions, more than doubling within a year each time. The rise in the past year should be reassuring at only 40%, and the U.S. economy may also be less sensitive to oil prices.

The world economy offers a broader reason for U.S. hope, too: So long as growth elsewhere is weak, there will be less competition for

resources the U.S. needs.

The standard approach often gets things backward, though, because the economy is clearly affected by what happens in financial markets. When investors fled from short-term financing markets in 2008, the panic engulfing Wall Street spread to the rest of the economy, as former Federal Reserve Chairman Ben Bernanke pointed out this week. Debt crises are worse than equity crises, but the bursting of the dot-com bubble in 2000 clearly contributed to the 2001 recession, mild as it was.

Markets frequently run to excess before turning.

Citigroup strategist Matt King points to high corporate leverage and weaker lending standards as a sign that the cycle is coming to an end, even as investors focus instead on high profits and low debt-servicing costs. As rates rise, high debts could create a nasty feedback loop, as buyers become scarce and worries grow about the ability of companies to raise new loans.

Equities aren't showing widespread signs of excess. Yet valuations are high on average in the U.S., justified by wider-than-usual profit margins rather than revenue growth.

If we knew the cycle would end soon, investing would be easy: Dump stocks for bonds. But the final phase can sometimes last for years, during which rising yields hit bond prices while stocks typically do very well.

Investors who decide the end is near but they will hang on for a final few months of gains from stocks should remember how bad things can get in a recession even when the banks are fine, however: The S&P 500 lost more than 30% from peak to trough in the 1970, 1974 and 2001 recessions.

Financial crises are worse, and we shouldn't forget Lehman. But when the end of the economic cycle comes, investors should expect big losses even if banks don't totter.

MARKETS

Treasuries Steady On Weak Inflation

By GUNJAN BANERJI

U.S. government bonds were little changed after data showed inflation rose less than expected in August.

The yield on the 10-year Treasury rose to 2.964% from 2.963% Wednesday. Yields rise as bond prices fall. Yields sank to as low as 2.946% in early trading after the Labor Department said consumer prices rose 0.2% in August, below the 0.3% gain ex-

CREDIT MARKETS CREDIT MARKETS expected by economists surveyed by The Wall Street Journal.

The consumer-price index measures what Americans pay for everything from groceries to razors. Investors closely track signs of higher prices because inflation chips away at the purchasing power of government bonds' fixed payments.

"It's just not showing upward momentum," Tom Essaye, president of Sevens Report, said of the inflation figures.

The data led some analysts to say that the Federal Reserve might not accelerate its pace of rate increases because wage gains for Americans haven't been translating to price increases. Fed officials meet later in September and are expected to raise interest rates.

Investors have been selling shorter-dated Treasury notes and drove the yield on the two-year Treasury to 2.756% Thursday—it's highest since July 2008—from 2.748% Wednesday.

AUCTION RESULTS

Here are the results of Thursday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

29-YEAR, 11-MONTH BONDS	
Applications	\$35,058,793,900
Accepted bids	\$15,000,011,400
*noncompetitively	\$3,223,900
*foreign noncompetitively	\$0
Auction price (rate)	98.286448 (3.088%)
Interest rate	3.000%
Bids at clearing yield accepted	79.43%
Cusip number	91281OSD1

The bonds, dated Sept. 17, 2018, mature on Aug. 15, 2048.

U.S. Sets Debt Sales

The Treasury Department will auction \$101 billion in securities next week. Details (all with minimum denominations of \$100):

♦ **Monday:** \$48 billion in 13-week bills, a reopening of an issue first sold on June 21, 2018, maturing Dec. 20, 2018. Cusip number: 912796QP7.

Also, \$42 billion in 26-week bills, dated Sept. 20, 2018, maturing March 21, 2019. Cusip number: 912796RC5.

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders, by 11:30 a.m.

♦ **Thursday:** \$11 billion in nine-year, 10-month 0.75% Treasury inflation-protected securities, a reopening of an issue first sold on July 31, 2018, maturing July 15, 2028. Cusip number: 91282Y38.

Noncompetitive tenders must be received by noon Thursday; competitive tenders, by 1 p.m.

IEX Wins Its Initial Stock Listing

By ALEXANDER OSIPOVICH

Upstart stock exchange IEX Group Inc. gained its first listing, a victory in its efforts to enter a key business of the New York Stock Exchange and Nasdaq Inc.

Online brokerage Interactive Brokers Group Inc. said it would switch its listing to IEX, becoming the first company to jump to the new exchange, made famous by Michael Lewis's 2014 book "Flash Boys."

The Greenwich, Conn.-based brokerage is currently listed on Nasdaq.

The U.S. corporate-listings business, in which companies pay fees to an exchange for services tied to being the primary venue for the company's stock trading, has been an effective duopoly of the NYSE and Nasdaq.

IEX has struggled to convince corporate executives to switch over. IEX said it would list shares of Interactive Brokers starting Oct. 5. Nasdaq declined to comment.



Producers that depend on Virginia terminals may not be able to immediately reap gains from higher prices since the storm is likely to cut down exports.

Hurricane Spurs Coal-Price Jump

By MICAH MAIDENBERG

Rising coal prices could get another boost as Hurricane Florence shuts down exports from the Virginia coast, halting supplies elsewhere in the world.

COMMODITIES

With the powerful hurricane bearing down on the Southeast, terminals in and near Norfolk, Va., that handle the majority of U.S. coal exports were, as of Thursday afternoon, permitted to receive ships on a case-by-case basis, needing approval by the U.S. Coast Guard. Ships have moved to deeper waters to ride out the storm.

Cutting off exports could

support coal prices, which already have been rebounding, according to Seaport Global Securities LLC analyst Mark Levin. Demand for the type of coal used to produce coke for steel mills and the type that powers electricity plants have lifted coal prices, he added.

The U.S. price for one grade of coal used to create steel-making coke has climbed close to 9% in the past week to \$202 a ton Thursday, data from S&P Global Platts show. The price has risen 17% since the start of August. "Anything that can make a tight market any tighter is something that people watch," Mr. Levin said.

According to Seaport Global, three major coal-export facilities in and near the Nor-

folk area handle more than half of all U.S. coal exports: the Lammerts Point Coal Terminal, operated by Norfolk Southern Corp.; Kinder Morgan Inc.'s terminal; and one operated by Dominion Terminal Associates, a company whose owners include Arch Coal Inc.

Exports from the Virginia terminals have grown by 33% to 30 million tons this year from the same period in 2017, according to a Seaport research note that cites data from Dominion Terminal Associates. That data track exports from all three facilities in and near Norfolk.

But coal producers that depend on the Virginia terminals may not be able to immediately reap gains from higher

prices. "If you can sell the stuff and get it out of the country, that's really good; but right now, your vital conduit is shut down," said Bill Wolf, a vice president at the John T. Boyd Company, a mining and geological consultant.

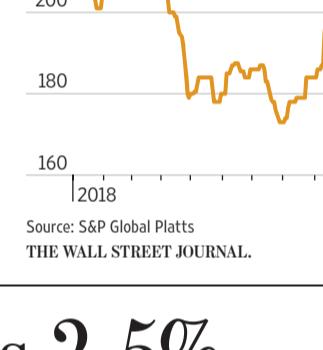
A spokeswoman for Kinder Morgan declined to answer questions about their terminal near Norfolk but said the company is "taking necessary precautions...to ensure that we are prepared to resume operations as quickly as possible."

Norfolk Southern "works with customers individually to address any potential delays," a spokeswoman said. An executive for Dominion Terminal Associates didn't respond to a request for comment.

Gaining Strength

The U.S. price of coal used to make coke for steel production has climbed recently.

\$240 per ton



Source: S&P Global Platts

THE WALL STREET JOURNAL.



The Bank of England, which held interest rates steady, warned about U.S.-China trade tensions.

Apple Leads Stocks Higher

By MICHAEL WURSTHORN AND DAVID HODARI

Apple and other technology companies led the S&P 500 higher, as renewed optimism at the prospect of fresh U.S.-China trade talks helped the broad index

THURSDAY'S MARKETS notch its strongest gain this month.

Investors were hopeful that the U.S.'s latest overture to Beijing marked a softening of the hostile rhetoric that had caused stocks to swing, and they bought shares of tech companies that had struggled in recent sessions.

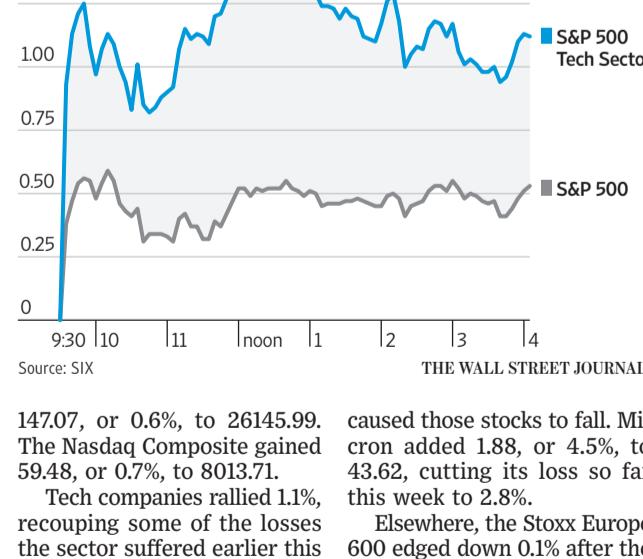
The gains brought the S&P 500 back into positive territory for the month and within half a percentage point of setting a record. But some investors say the index remains vulnerable to further flare-ups as the U.S. tries to hammer out new trade deals with China, the European Union and others.

"Investors are frankly confused," said Jennifer Ellison, a principal with BOS, a \$4.5 billion money-management firm. "It's very difficult to read where we end up with this situation. Until we get some clear answers, we could end up in a downward trading range."

The S&P 500 rose 15.26 points, or 0.5%, to 2904.18, its fourth consecutive session of gains, while the Dow Jones Industrial Average climbed

Tech on Top

Shares of technology companies rose Thursday, pulling the S&P 500 higher.



147.07, or 0.6%, to 26145.99. The Nasdaq Composite gained 59.48, or 0.7%, to 8013.71.

Tech companies rallied 1.1%, recouping some of the losses the sector suffered earlier this month on fears of heavier regulation and the impact of tariffs on the industry's trade-dependent firms. The tech sector is down 1.2% for the month.

Apple rose \$5.34, or 2.4%, to \$226.41 a day after the company announced a new lineup of mobile devices, including its most expensive phone yet—the \$1,099 iPhone XS Max.

Shares of several chip makers also rebounded after an analyst downgrade of **Micron Technology** a day earlier had

caused those stocks to fall. Micron added 1.88, or 4.5%, to 43.62, cutting its loss so far this week to 2.8%.

Elsewhere, the Stoxx Europe 600 edged down 0.1% after the Bank of England and the European Central Bank held interest rates steady. The BOE warned of a growing threat to global economic growth from trade tensions between the U.S. and China, while the ECB said it would likely end quantitative easing by the end of 2018, signaling a cautious confidence in the eurozone economy.

In early trading in Asia Friday, Hong Kong's Hang Seng Index was 0.42% higher, while Japan's Nikkei was up 0.78%.

Oil Drops 2.5% On Rising Output By OPEC Nations

By CHRISTOPHER ALESSI AND AMRITH RAMKUMAR

Oil prices had their worst day in almost a month, hurt by the latest signs that OPEC is ramping up production.

Light, sweet crude for October delivery dropped \$1.78, or 2.5%, to \$68.59 a barrel on the New York Mercantile Exchange, its worst day since Aug. 15 after it closed at its highest level since July 20 a session earlier. Brent crude, the global benchmark, fell \$1.56, or 2%, to \$78.18 a barrel to end a four-session winning streak. Brent touched \$80 for the first time since May during Wednesday's session.

Global supply disruptions and a larger-than-expected drop in U.S. inventories had pushed up prices Wednesday, but the latest data showing a supply increase from the Organization of Petroleum Exporting Countries weighed on prices Thursday.

OPEC production rose by 420,000 barrels a day last month, the largest rise in more than two years, to bring the supply from the group's 15 producers to a nine-month high, the International Energy Agency said in a monthly report. Total OPEC production in August—driven by Libya, Iraq, Nigeria and Saudi Arabia—"far outweighed losses from Iran ahead of U.S. sanctions," the IEA said.

President Trump in May pulled the U.S. out of a 2015 international agreement to curb Iran's nuclear program, setting the stage for the U.S. to reimpose economic sanctions on Tehran. Measures targeting the OPEC country's oil industry are set to take full effect in November, but importers of Iranian crude have gradually been reducing their purchases in recent months.

Expectations of a steep drop in Iranian exports have raised the specter of a tightening

market and bolstered prices.

The IEA said Iranian crude production fell month-on-month by 150,000 barrels a day in August, to 3.63 million barrels a day, while exports dropped by 280,000 barrels a day to 1.9 million barrels a day.

"Thanks to rising output, slowing demand growth and lack of full support for U.S. demands...the oil market will face no major disruptions from the Iran oil embargo," argued Norbert Ruecker, head of macro and commodity research at Julius Baer.

OPEC and partner producers such as Russia agreed in late June to begin ramping up crude production after more than a year of holding back output. The move had helped to put a cap on rising prices this summer.

Still, the IEA warned that if Iranian exports continue to fall and supply outages accelerate

OPEC production rose by the largest amount in more than two years.

in Venezuela, "markets could tighten and oil prices could rise without offsetting production increases from elsewhere."

The agency "is saying it needs to be seen whether other countries can compensate for the drop," said Amrita Sen, analyst at consultancy Energy Aspects. "The physical market is extremely strong and the loss of Iranian exports is really started to hit," she added.

Investors are keeping an eye on Hurricane Florence to see if the storm disrupts demand for energy products and global trade tensions, which have also clouded the outlook for many commodities.

MARKETS

Sanctions Push Bruises Russian Bonds

By MATT WIRZ

A growing drumbeat on Capitol Hill for further sanctions against Russia because of its interference in U.S. elections has hit Russian bond markets and the foreigners who trade in them.

Since U.S. legislators ramped up efforts at the start of August to pass laws that would penalize Russian financial and energy industries, prices of bonds denominated in Russian rubles have dropped about 7%, according to IHS Markit.

Prices are likely to fall further as Congress moves forward legislation that would prohibit U.S. investors from buying newly issued Russian government bonds, emerging-market bond fund managers said. Such selloffs also hit Russian banks and institutional investors, which are heavy buyers of their government's debt.

The decline is an unusual example of U.S. policy affecting securities of foreign governments, putting Russia in the realm of countries like Venezuela and Iran. It has also rocked emerging-markets investors already reeling from heavy losses in Argentina and Turkey.

Rising interest rates and the strengthening U.S. dollar have sparked stock and bond routs in 2018 in emerging-market countries such as Argentina and Turkey with trade imbalances and fiscal deficits. The selling spread in recent weeks to stronger economies like Indonesia. Losses in the year to date on a widely traded emerging-markets bonds exchange-traded fund are now about 6.28%, according to data from Morningstar.

Russia had stood out as one of the more stable economies in the developing world this year, bolstered by its low debt—17.4% of gross domestic product, according to S&P

Price of Russian 10-year government bond

Russia's bond rout comes amid a broad downturn in emerging markets...

iShares J.P. Morgan USD Emerging Markets Bond ETF performance

Sources: Thomson Reuters (Russian 10 yr. bond); IHS Markit (default); FactSet (EMB, Moex); Dow Jones Market Data (crude)

Global Ratings—and prudent fiscal policies. Political risk has increasingly overshadowed that economic strength as the U.S. government moves to pinch Russia's finances.

"Investors have had years to reduce exposures in Russia," Daleep Singh, a former U.S. Treasury Department official, said at a hearing before the Senate Banking Committee

Wednesday about one of the new sanctions bills. "I can think of no credible argument why U.S. public pension funds and saving vehicles should indirectly fund the Russian government while the latter continues to sponsor violations of U.S. sovereignty."

The proposed laws wouldn't prevent U.S. firms from owning any of Russia's existing

Russian stocks have held up better**Russia's Moex stock-market index performance**

...and markets reflect a lower likelihood of a Russian sovereign default than past years.

Annual cost of insuring \$10 million face amount of bonds against default

THE WALL STREET JOURNAL.

debt but many are selling out all the same, preferring to avoid the political noise engulfing the bonds and potential compliance work involved in owning them, the fund managers said.

"People are just saying 'I want to stay out of it for a while,'" said Kumaran Damodaran, a fund manager at Stone Harbor Investment Partners.

Congress accelerated work in July on at least two bills involving sanctions on Russian debt, when President Trump

appeared to support Russian President Vladimir Putin's denial of election interference. The Trump administration imposed milder sanctions in April affecting bonds of companies owned by Russian oligarchs and was working Wednesday on further measures.

"It's up to us in this Congress to write strong, strong sanctions language," said Sen. Sherrod Brown (D., Ohio) in Wednesday's Banking Committee hearing.

In addition to blocking U.S. investors from buying new Russian bonds, Congress is considering freezing assets of certain Russian banks and state-owned entities, but has stopped short of a full-scale financial quarantine like those imposed on Iran and North Korea. Such a blockade remains unlikely unless Russia escalates either its disruption of U.S. elections or military operations like its incursion in eastern Ukraine.

It is unclear how much the measures currently under consideration will actually affect Russia's finances, which have been strengthened by a recovery in the price of oil, the country's largest export. The cost of credit-default swaps protecting holders of Russian bonds from nonpayment by the government—a key measure of the perceived risk in the country's debt markets—has declined about 63% since 2015, when collapsing oil prices threatened Russia's economy.

Nevertheless, passage of additional sanctions in Congress will likely spark a new round of selling by U.S. bondholders, the fund managers said. Even existing Russian bonds that wouldn't be affected by the potential sanctions would require portfolio managers to explain to nervous compliance executives and clients why they hold the debt, they said.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

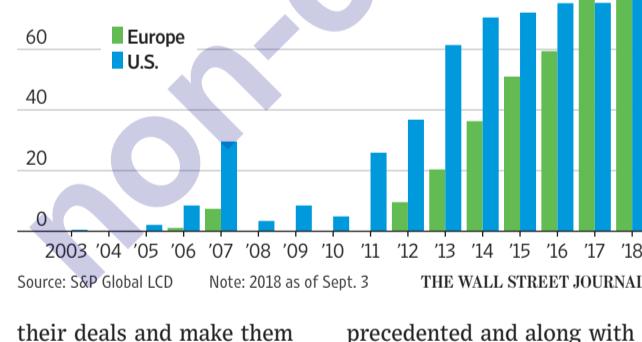
WSJ.com/Heard

Email: heard@wsj.com

Blackstone's Payday Has a Cost

Dropping Defenses

Proportion of leveraged loans with weak or absent covenants



Source: S&P Global LCD Note: 2018 as of Sept. 3 THE WALL STREET JOURNAL.

their deals and make them seem less risky.

Blackstone's deal further loosens protections to allow it and its co-owners, including Thomson Reuters, to extract dividends without conducting a basic test of Refinitiv's financial health.

Greater freedom to pay dividends could be used to boost cash flows to the owners even if the company isn't performing well.

Dropping this test is un-

precedented and along with other changes leaves the covenants "riddled with flaws and loopholes," according to Covenant Review, a credit research firm.

In presenting the deal, Blackstone is including all the benefits of planned cost savings worth \$650 million in Refinitiv's Ebitda although they won't be achieved for three years. The projected savings would boost earnings by one-third and cut the

apparent debt multiple significantly. With the savings, Refinitiv's debt is 5.3 times its Ebitda. Without them it rises to more than seven times, according to Fitch Ratings.

Of course, it is up to investors to demand a yield that compensates for the risks. But investors are so desperate to get yield that the power remains mainly with borrowers.

The point for private-equity firms is that the extra flexibility will allow them to keep control of their businesses for as long as possible in any situation. And investors may accept greater risk on very large deals because they believe the debt will be easier to sell if they don't like where the company is heading.

The danger is lenders get stuck in a deal that is going sour and then have no powers to get their money back. The combination of high leverage and loose covenants can be toxic for investors if things go wrong.

—Paul J. Davies

OVERHEARD

It wasn't the mother of all central-bank surprises, but still spectacular.

The Turkish lira has been battered, in no small part due to its increasingly autocratic President Recep Tayyip Erdogan. A country normally has a painful but effective step to shore up its currency: raise interest rates.

Turkey is anything but normal, though. Mr. Erdogan has described interest rates as "the mother and father of all evil" and, shortly before a central-bank rate decision on Thursday, called them "tools of exploitation." Even such rhetoric generally wouldn't faze rate setters, but this is a country where over 150,000 civil servants have been dismissed or detained for allegedly supporting a 2016 coup.

Much to markets' surprise, rates increased anyway to 24% from 17.75%. The lira's 3% drop against the dollar on Mr. Erdogan's comments turned to a 5% gain. If central bankers keep their jobs, more is probably needed—inflation recently rose to 18%.

Don't Panic Over Kroger Sales Miss

Kroger is making the right moves to prepare for the future. Investors overreacted to a slightly weak quarter.

Kroger shares fell nearly 10% Thursday even after the grocer beat analyst estimates for second-quarter earnings per share. The culprit was disappointing sales growth: Same-store sales excluding fuel rose 1.6% from a year earlier compared with analyst expectations for growth of around 2%, and with 1.9% in the first quarter.

Kroger said discounting ate into sales, as did a rolling renovation of many of stores nationwide. The company expects sales to rebound in the second half. Kroger reiterated its guidance of 2% to 2.5% same-store sales growth for the full year.

Kroger is just two quarters into a three-year investment plan that involves revamping stores, big investments in e-commerce and delivery, better employee benefits and more. At the same time, it is contending with competitive pressure from low-cost rivals and higher freight costs. Gross margins fell to 21.3% in the second quarter from 22.1% two years earlier.

Investors appear concerned that Kroger is trying to do too much, but management has no choice if it wants to stay ahead of industry trends. The rise of e-commerce makes it imperative not just to invest online but also to make stores more appealing places to visit with space for fresh items and prepared food. The rise of hard discounters and the increasing ease of comparing prices online make it necessary to compete on price.

The company deserves some time to show its strategy is working. —Aaron Back

The Wisdom of Solomon Shows in Goldman's CFO Move

The Shine Comes Off

Performance of Goldman Sachs shares since Martin Chavez became chief financial officer



Source: SIX

doesn't change the fact that Mr. Chavez's performance has been less than stellar over his brief tenure.

Having taken over the job in April 2017, he did a poor job explaining what was hap-

pening at the bank at a time when it mattered. In the first half of 2017, Goldman posted two quarters of weak results in its fixed-income, currency and commodities trading, even as other banks were performing well in that business.

In conference calls with analysts, Mr. Chavez cited low market volatility and client activity. He acknowledged that poor execution played a role, but offered only vague solutions, citing a need for "blocking and tackling." The bank has since unveiled a plan to expand its trading client base beyond institutional investors to corporations and other

steadier clients and results have recovered. That has provided some reassurance, but it was still a rocky start for Mr. Chavez.

Goldman's planning for its capital needs, perhaps the most crucial role of a chief financial officer, wasn't exactly smooth, either, under Mr. Chavez. After Goldman took a \$4.4 billion tax charge at the end of 2017 that hit capital cushions, he told investors that the firm would slow the pace of share buybacks in the first half of 2018, hurting the stock's performance. He later made a surprise announcement that buybacks would be halted entirely in the second quar-

ter of that year, further denting the stock.

Despite these moves to conserve capital, the bank still dealt an embarrassing setback in June's annual Federal Reserve stress tests and had to negotiate a reduced capital payout plan for the next four quarters.

Mr. Chavez's missteps played a role in holding back Goldman shares, which are basically flat over the past 12 months compared with a 14% rise in the KBW Nasdaq bank index over that time.

With his own team in place, Mr. Solomon, who takes over in October, should be able to improve on recent results.

—Aaron Back



The Wine Goldmine
How investors can protect their collections **M3**

HOMES | MARKETS | PEOPLE | REDOS | SALES

MANSION

THE WALL STREET JOURNAL.

A Star Chef's Shaky Start
Chef Jean-Georges Vongerichten was a child 'terror' **M4**



Friday, September 14, 2018 | **M1**



FOOD & WINE AT HOME

ALEXIA FODERE FOR THE WALL STREET JOURNAL; CHRIS SORENSEN FOR THE WALL STREET JOURNAL (VONGERICHEN); VSTOCK/GETTY IMAGES (WINE)

Patricia della Giovampaola d'Arenberg owns a two-bedroom condo at Oceana Bal Harbour in Miami. She and Jean-Paul Enthoven recently had lunch at the residents-only restaurant, Ballerina.

RESERVED For Residents

Luxury developers are targeting buyers' taste buds with exclusive restaurants and lounges. Feel like dining at home? The chef will send up supper.

BY AMY GAMERMAN

IF YOU WANT A \$23 PLATE of gluten-free spaghetti vongole at Ballerina—the restaurant at Miami's Oceana Bal Harbour—you must first spend several million dollars on a condominium. Tables in the sun-washed Piero Lissoni-designed establishment are exclusively for residents of the tower, where units range from \$3.9 million to \$19.85 million.

"The food is so good—I'm vegan, no gluten,

and always the people are very nice," said Patricia della Giovampaola d'Arenberg, a philanthropist and former model who bought a two-bedroom condominium at Oceana Bal Harbour in 2014, completed last year.

To tempt both buyers' taste buds and their taste for exclusivity, developers are investing in residents-only restaurants, dining clubs and cocktail lounges. Some foodie-friendly condo towers

Please turn to page M10

What's for Lunch?

TUNA TARTARE

Ahi tuna, avocado, tomato concasse, wonton chips
\$16

LOBSTER & CRAB

Maine lobster, jumbo crab meat, hearts of palm, arugula, avocado, tomato, lemon dressing
\$24

PIZZA MARGHERITA

Fresh tomato sauce, mozzarella fiordilatte, basil
\$12

The Many Kitchens of Chef Traci Des Jardins

A force in San Francisco's food scene, Ms. Des Jardins inhabits several homes, from a city Victorian to a rustic mountain cabin.

BY KATY McLAUGHLIN

SAN FRANCISCO CHEF Traci Des Jardins may have four residences, but she says her true home is in any of her kitchens—all modest, practical spaces with open shelves, well-worn pans and rustic kitchen tools.

"We have sitting rooms here, but I never sit," says Ms. Des Jardins of the two parlors in the Victorian she shares with her partner, Jennifer Roy. "The kitchen is my only domain."

Petite and curly-haired, the 52-year-old has been a force in the San Francisco food scene since opening her flagship restaurant Jardinière in 1997. With its grand, two-tiered space and sophisticated French-inflected cuisine, Jardinière gambled on glamour in a city best known for Alice Waters-style rusticity. A runaway hit, it helped establish San Francisco as a destination for top-tier dining, and Ms. Des Jardins as a rare female chef with big backers willing to finance her vision.

She now has seven restaurants in the Bay Area, including Mijita, Public House, the Commissary and



Traci Des Jardins in her Castro condo, left; the dining area of the Victorian home, above.

Arguello, giving her a collection of places that range from high-end French dining to pizza and tacos. She has appeared on "Top Chef Masters," and works as a consultant for Impossible Foods, a Redwood City, Calif., company that makes plant-based meat. She focuses on concepts with staying power: Jardinière is now in its 21st year.

Ms. Des Jardins also takes a buy-and-hold approach to real estate. Her

Please turn to page M8





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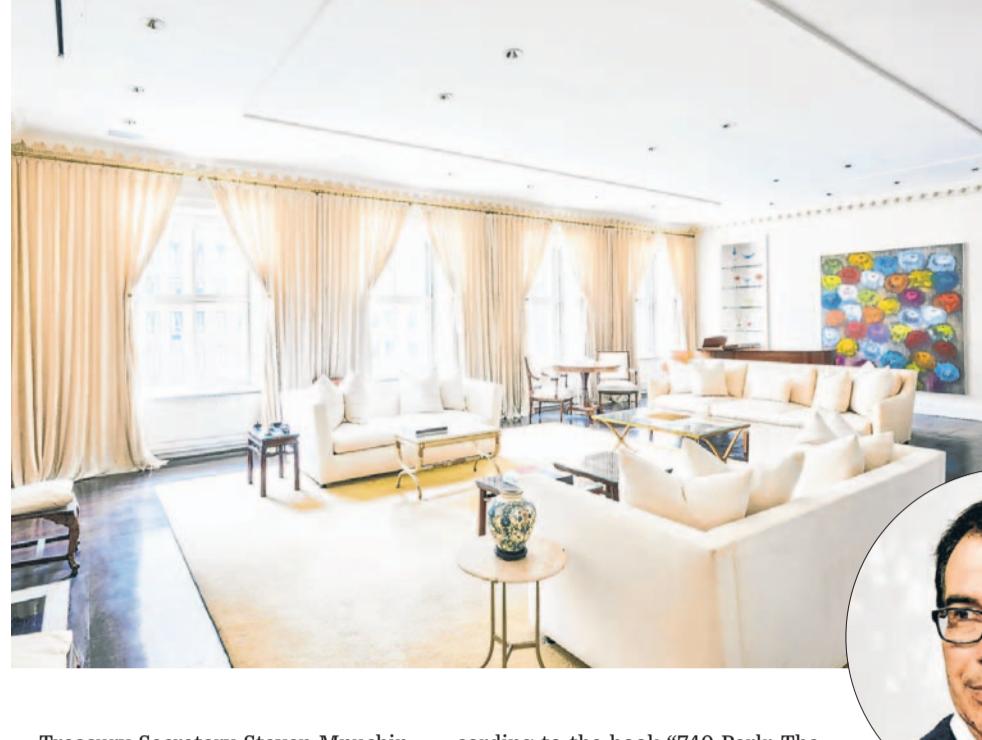
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NY

PRIVATE PROPERTIES

Steven Mnuchin Lists His Longtime Manhattan Home



Treasury Secretary Steven Mnuchin has listed a Manhattan home that has been in his family for decades for \$32.5 million.

Located at 740 Park Avenue, the apartment has five bedrooms, according to a listing on the website of real-estate agency Warburg Realty. The building is one of New York's most exclusive; wealthy families like the Vanderbilts, Rockefellers, Bouviers, Kochs and Bronfmans have all lived there, ac-

cording to the book "740 Park: The Story of the World's Richest Apartment Building," by Michael Gross. The building was built by James T. Lee, Jacqueline Kennedy Onassis's grandfather, and designed by architect Rosario Candela.

Mr. Mnuchin has owned the roughly 6,500-square-foot apartment since 2000, when he purchased it from his aunt, Carol Lederman, for \$10.5 million, according to Mr. Gross's book.

While the unit has been in Mr. Mnuchin's family since the 1960s, Mr. Mnuchin hasn't been treating it as his primary home, according to people with knowledge of his situation.

Mr. Mnuchin was based primarily in California before he assumed his role with the campaign, those people said. A Treasury Department spokeswoman didn't immediately respond to a request for comment.

The 12-room apartment spans two floors, with wood-burning fireplaces and a sweeping staircase. The listing agents are Ms. Lederman,

who sold the unit to Mr. Mnuchin, and her colleague and daughter Judy Kloner. They declined to comment.

A former Goldman Sachs banker, Mr. Mnuchin became a Hollywood financier and was later appointed Mr. Trump's campaign-finance chairman.

—Katherine Clarke

Blackstone Executive Sets Record

A top Blackstone executive purchased a tricked-out home in New York's Greenwich Village for \$37.2 million. The off-market deal set a record for the priciest townhouse sale in downtown Manhattan, real-estate veterans said.

Neil Simpkins, a 52-year-old senior managing director in the firm's private-equity group who led acquisitions of TRW Automotive and Vanguard Health Systems, is identified as the buyer on a mortgage document. He and his wife, Miyoung Lee, also own a penthouse in the nearby Flatiron District that they purchased for roughly \$9.4 million in 2007, according to public records. A Blackstone spokeswoman declined to comment.

The roughly 9,800-square-foot, six-

bedroom house townhouse has five

levels and comes with an attached carriage house accessible via a glass-enclosed breezeway and landscaped courtyard. It also has a home theater,

a gym, a wine cellar and a hydronic radiant heat system that melts snow



on the stoop.

The sellers were Rebekah Caudwell,

a British interior designer, and her

husband Nicolas Dupart, a real-estate

developer. The couple spent about

three years renovating the home, ac-

cording to their agent, Robert Dankner

of Prime Manhattan Residential.

Mr. Simpkins was represented by

Meris Blumstein of the Corcoran

Group. She declined to comment.

—Katherine Clarke

► A top insurance executive lists in New York for \$11.95 million. M14

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1. Stylish Loft Downtown
Downtown BK. 3BR. 2.5 Bath.
\$2M. Web# 18946113.
Terry Naini 212-452-6267

**2. Elegant 3BR w/
WBFP at Astor Court**
Upper West Side. 3BR. 2.5 Bath.
\$4.4M. Web# 16369481.
Rina Schafman 212-906-9220
John A. Sheets 212-906-9359

3. Exceptional Designer Soho Loft
Soho. 2BR. 2 Bath.
\$3.995M. Web# 18964810.
Sophie P. Ravet 212-452-4470

4. Classic Loft w/ Pre-war Details
Noho. 3BR. 2.5 Bath.
\$7.5M. Web# 17796101.
Leonel Piraino 212-906-9363
Rafael Salas 212-906-9286



5. 10 Rooms + Terrace
East 72nd. 5BR. 4.5 Bath.
\$3.4M. Web# 18806245.
Silvana Mander 212-317-7706

6. Best Central Park Views
Central Park South. 2BR. 2.5 Bath.
\$8.25M. Web# 18879706.
Juliana Frei 212-396-5886
Drew Glick 212-396-5883



7. Mint 20' Wide Brownstone
West Village. 5BR. 4.5 Bath.
\$12.95M. Web# 16213397.
Cassie Glover 212-906-0526
Rachel A. Glazer 212-317-3661

8. Columbia Waterfront District Condo
Cobble Hill. 1BR. 1 Bath.
\$715K. Web# 18879231.
Brian Lehner 718-858-5423

9. New to Market
Gramercy Park. 4BR. 5.5 Bath.
\$15.75M. Web# 18668359.
Ileen G. Schoenfeld 212-396-5878
Aracely Moran 212-588-5649

10. Grand 3 Bedroom off CPW
Upper West Side. 3BR. 3 Bath.
\$2.995M. Web# 18789746.
Edward F. Joseph 212-588-5646



11. Dag Hammarskjold Tower
E 47th - 2nd Ave. 5BR. 3.5 Bath.
\$3.295M. Web# 18677147.
Curtis W. Jackson 212-317-7714
Adam Michael Flax 212-317-7708

12. Triple Mint Pre-war 10 Rooms
Upper East Side. Co-Excl. 4BR. 3 Bath.
\$6.95M. Web# 18837250.
Amanda Brainerd 212-452-4515
Simone Mailman 212-452-6209
Gerard Ryan 212-452-6262

**13. C. 1850 Restored
Landmark Townhouse**
Brooklyn Heights. 4BR. 3.5 Bath.
\$5.75M. Web# 18899879.
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14. 2-3BR Rental w/ 950SF Terrace
Upper East Side. 2-3BR. 2.5 Bath.
\$19.95K/month. Web# 18567588.
Matthew D. Hughes 212-906-9351

15. 2-3BR Rental w/ 950SF Terrace
Upper East Side. 2-3BR. 2.5 Bath.
\$19.95K/month. Web# 18567588.
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16. Garden Place Prime Townhouse
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17. Garden Place Prime Townhouse
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18. Garden Place Prime Townhouse
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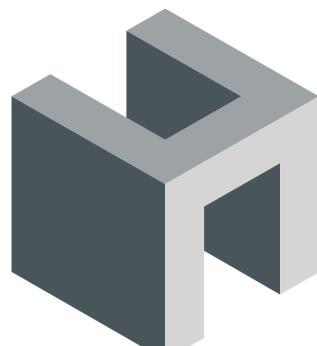
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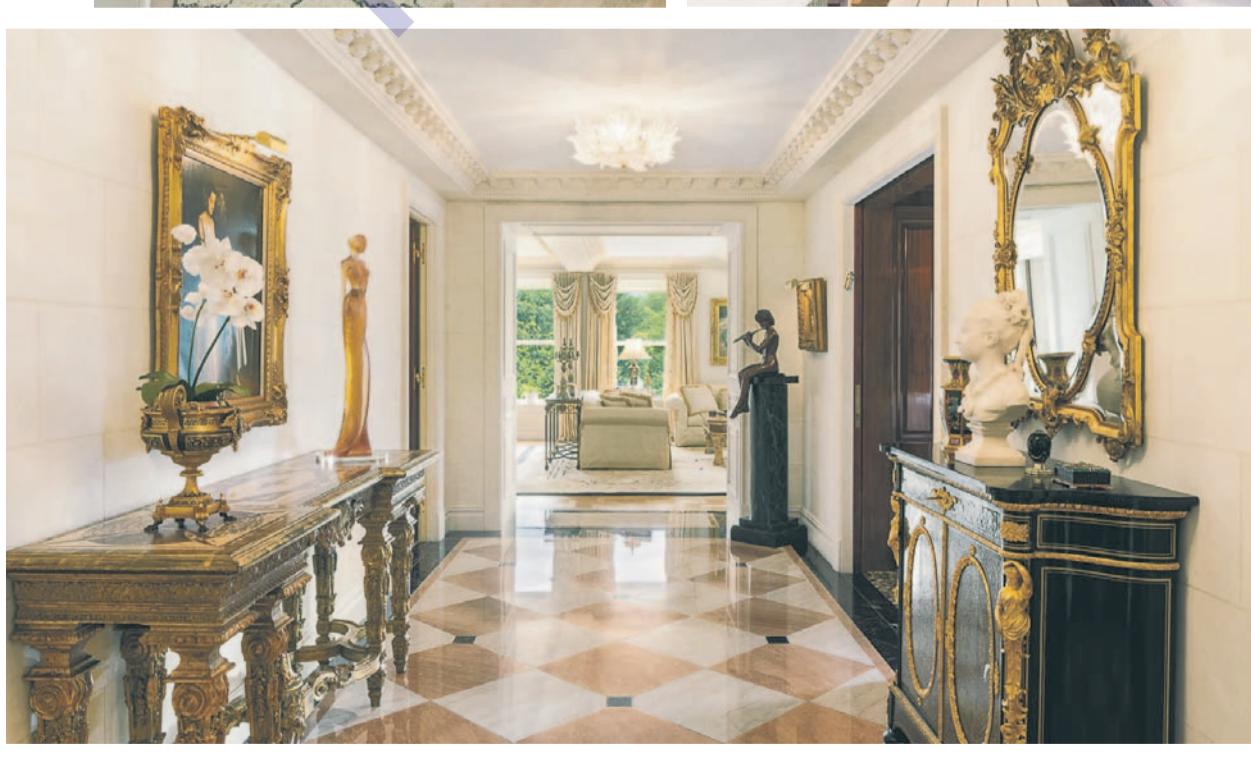
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How to Stash Your Wine

Homeowners are building elaborate storage systems to keep their prized collections secure

**Full-Bodied**

The Liv-ex 100, an index representing 100 of the most sought-after wines from regions around the world, is up nearly \$250 since 2002.



Source: Thomson Reuters Datastream
THE WALL STREET JOURNAL.

collection to become unsalable. Thanks to his policy, he received a check for over \$200,000.

"Some of the bottles were prize bottles that I'd had a long time," Mr. Wallace says. "There's some emotion when it comes to collecting and you have your collection damaged. But it certainly softened the blow."

Here are some things to consider if you plan to store your wine collection at home.

Plan for the future. Mr. Tilden suggests buying a free-standing unit or building a cellar with 25% to 50% more capacity than you currently need. "Customers often don't anticipate future needs," he says. "Make sure you are able to expand your collection. It will undoubtedly grow."

Protect your collection. Keep appraisals current; it's good to update them every five years, Ms. Doyle says. Collectors who live in earthquake or hurricane zones should not only have backup generators but emergency plans in place—including a relationship with a wine-storage facility and transportation firm in case you need to evacuate the wine.

Keep an inventory. Some collectors, like Mr. Wallace, use an Excel spreadsheet to keep track of inventory. But there are dedicated systems as well. EuroCave has a free smartphone app that serves as a virtual wine cellar and allows users to manage their collections. A system called eSommelier, which retails for \$4,000, is a cellar-management system consisting of a wireless bar code scanner, 17-inch touch screen and bar code label printer that allows users to catalog their wine inventory and prints bottle bar codes so collectors can track usage.

As people buy more wine, they're investing in elaborate home storage systems to protect their collections.

Americans last year bought \$62.2 billion worth of wine, up 2% from 2016, according to the Wine Institute, a San Francisco-based trade association for the California wine industry. Collectors can help protect the value of their investment with proper storage techniques.

Some homeowners are building museum-like wine "cellars" in living rooms, dining rooms and other on-display spaces. Other people start smaller. The right approach depends on how many bottles you own, where you want to store them, your design preferences and your budget.

"A wine cellar has to look beautiful and be a showstopper, but it also has to be temperature-controlled," says Marshall Tilden III, vice president of sales for Wine Enthusiast's wine-storage and accessory business based in Valhalla, N.Y. "So if you're building a wine cellar in the basement, the walls need to be constructed properly, with the right insulation and vapor barriers, and then you have to select the right cooling units."

At the simpler end of the market, even free-standing wine refrigerators are getting more sophisticated. The EuroCave Royale, for example, is a \$14,000 wine cellar that maintains what the marketer says is the perfect temperature (53.6 degrees F.) and humidity (70%), controls air quality, limits vibrations and protects wine from UV rays and oxidation. It can hold up to 122 traditional Bordeaux bottles plus two mag-

**GOOD HOME**

For \$14,000, oenophiles can buy the EuroCave Royale, a wine cellar that maintains a 53.6-degree temperature, an optimal 70% humidity and controls air quality.

niums or 86 Bordeaux bottles and 20 magnums.

A midlevel option is to retrofit an existing closet or build custom glass wall enclosures to display the wine. But as you add more bottles, you may run out of room, so some ambitious collectors opt to create a large custom space. "It becomes a passion project for some people, where they build up from a free-standing wine cellar to a big custom cellar in their house," Mr. Tilden says.

Expect to pay a minimum of \$10,000 to \$15,000 for a cooling unit, racking and construction and installation costs, he says. For larger collections—1,000 to 1,500 bottles—a typical wine cellar will run \$25,000 to \$50,000. And, for the most elaborate cellars—finished with lacquers, custom artwork, mosaic tiles, high-end lighting and tongue-and-groove redwood, for example—the sky's the limit.

Even with the best planning and equipment, things can go wrong. Heat is the primary enemy of wine, so if a cooling system fails the collection can be ruined. Humidity, light, vibrations and even poor air quality—wine

breathes through the cork—can all damage wine. That's why many collectors obtain special insurance.

"A valuables policy provides broad comprehensive coverage," says Laura Doyle, vice president and collections manager at Chubb Personal Risk Services. "Most homeowners policies will have a deductible and limited coverage for perishables like wine. A valuables policy has no deductible and provides world-wide, all-risk coverage." That means wine is covered whether it's stored in your home cellar, at an off-site facility or in transit.

The price of a valuables policy varies, based on location, whether there is a backup generator and central-station alarm, the size of the collection and other criteria. Ms. Doyle says coverage on a wine collection valued at \$100,000 would likely cost about \$400 to \$600 a year.

Kirk Wallace is glad he insured his collection. The retired attorney, who now lives in Portland, Ore., sustained a loss last year when an HVAC malfunction in a closet wine cellar in his previous home in New York City caused his

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MANSION | FOOD & WINE AT HOME

HOUSE CALL | JEAN-GEORGES VONGERICHTEN

CLOCKWISE FROM TOP LEFT: CHRIS SORENSEN FOR THE WALL STREET JOURNAL; VONGERICHTEN FAMILY; VONGERICHTEN (STOCK/GETTY IMAGES (PAN)



Jean-Georges Vongerichten in his Manhattan home on the Hudson River, left. Above, in France in 1961. Inset below, with his brother Christian, left, on a family vacation in Brittany, in 1966.



The moment I woke up in the morning, I knew what was for lunch. My childhood bedroom was right above my mother's kitchen. Everything on her stove drifted up through the floorboards like a Chinese steamer.

I grew up in Illkirch-Graffenstaden, France, a suburb 5 miles from the center of Strasbourg in Alsace. Our two-story house dates to the 1780s and overlooks one of the city's canals. My mother, Jeanine, is 85 and still lives there.

The house is white with timber beams crisscrossing the exterior. It has an orange-tile roof and geraniums hanging from window boxes. My parents and grandparents lived on the first floor, with the kitchen at the center. On the second floor, my younger brother, Philippe, and I shared a bedroom. My younger sister, Martine, and my youngest brother, Christian, had their own rooms.

The house was also my father George's workplace. When I was little, he ran a coal-distribution business. My great-grandfather started the company when coal from northern France was delivered to the house on ca-

'JoJo the Terror' Takes a Job

Once an aimless teen, the famed chef found his calling at a three-star restaurant in France

nal barges. Each day, my mother and grandmother cooked lunch for 40 people—15 family members and about 25 workers.

My mother enforced strict eating times. Lunch was at 12:30 sharp and our family dinner was at 7:30. If you were late, you had a butter sandwich. There were no leftovers. On Sundays, my job in the kitchen was to peel and chop, and get my mother what she needed. Otherwise I was outside playing, often on the mountains of coal by our house.

My parents named me Jean-Georges by hyphenating their first names. But as a child, my nickname was JoJo the Terror. I was

constantly making trouble in the neighborhood with my slingshot and potato gun.

In 1972, when I was 15, my parents sent me to a local engineering school. I was the oldest and expected to take over my father's business. But after six months, my grades were so bad the school threw me out.

Back home, I was put to work by my father carrying pipes. By then, he had converted his coal business to oil. I hated the work.

For my 16th birthday, my parents took my sister and me to Auberge de L'Ill, a three-star restaurant 45 minutes from Strasbourg. My family was so large and busy, we never ate out. I couldn't believe the food, the presentation and the service. I had foie gras, a salmon soufflé and venison.

After dinner, the chef stopped by to ask how everything was. My father told him how much we enjoyed the meal. Then he said, "My son is good for nothing. If you need someone to wash dishes, he seems to have an interest in this business."

The chef said he was looking for an apprentice. I interviewed, but months passed without a call. Then on July 13, 1973, the restaurant called to offer me a job. I started the next day, on Bastille Day, in the kitchen. My father dropped me off in the morning and picked me up at night. I loved it right away.

One day a week I went to cooking school at Strasbourg's Lycée Hôtelier. The remain-

ing days I worked at the restaurant. I slept upstairs with the other apprentices.

Starting at a three-star Michelin restaurant changed me. I grew up overnight. In that environment, I was somebody special. I felt valued and saw my future. I peeled, chopped, plucked feathers from chickens and soon learned to butcher when hunters brought animals to the kitchen.

Over the next three years, I worked at four three-star restaurants in Europe. Next, I traveled to Asia and trained at the restaurants of five-star hotels in Bangkok, Singapore and Hong Kong. In 1986, I was asked by chef Louis Outhier to join him at Lafayette in New York's Drake Hotel. Five years later, I opened my first New York restaurant, JoJo, with my brother Philippe.

Today, my wife, Marja, and I live with our daughter, Chloe, in a 4,000-square-foot apartment in New York's West Village. We spend weekends at our country house in Waccabuc, N.Y. It's an old wooden house.

The interior of our New York apartment is an open plan, with glass exterior walls. We have a great view of the Hudson River. Unfortunately, with all of my restaurants, I'm never home early enough to see the sunset.

Our kitchen is simple and slick. It's very clean. Marja does most of the cooking for Chloe. After work, when I arrive home late, I usually have a little piece of Lindt milk chocolate. It's simple and relaxes me.

In my kitchen at home, I have my mother's antique crank grater. I love putting a chunk of cheese in the barrel and turning it over a salad. The cheese always tastes better coming out of there.

—As told to Marc Myers

Jean-Georges Vongerichten, 61, is a France-born chef who oversees 39 restaurants worldwide. He is co-founder of Food Dreams, a foundation that provides culinary students with scholarships and training.

Jean-Georges: Individual Servings

First hospitality venture:

"As a kid, I loved pop music with a beat. At 14, in 1971, I turned our cellar into a teen disco. I was the DJ. After a year, it was the hottest local night spot on Saturday nights."



Must-have export:

"Before I return to New York, I pick up several bottles of Melfor Honey and Herb Vinegar. It's made in Alsace. The taste and smell remind me of my childhood house."

On the kitchen counter:

"At home in New York, it's all about convenience and flavor. I love my Microplane zester, my Vitamix Vita-Prep for smoothies and my Instant Pot pressure cooker for fast meals."

Favorite mom's meal:

"When I visit my mother in Strasbourg, I stay in my old bedroom. My mother still cooks. I dream of her roast chicken and tarte flambée with fromage blanc and onions."

Photo credit:

CHRIS SORENSEN FOR THE WALL STREET JOURNAL

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HARBOUR ISLAND, BAHAMAS
Sandbank Ocean Villa, 120ft. on the famous Pink Sands Beach. Brazilian Ipe hardwood and concrete construction throughout. 6 bedrooms, 6.5 baths, 4,000+ sq. ft. of living space complimented by expansive louvered shuttered verandahs. WEB ID: 34574. **\$7250,000** US. James.Malcolm@SIR.com

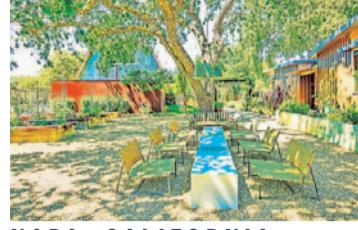
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MUSKOKA, ONTARIO, CANADA
Bellvue Estate-Lake Rosseau Jaw-dropping 18,000 sq. ft. lakehouse. 14+ bedrooms, 10+ baths on 40 acres, 5.5 ft. south exposure shoreline, natural sand beach, Great Room has 35 ft. ceilings. Muskoka Room with wood from salvaged 19th C. ship wreck. 2 story, 2 slip boathouse, tennis court, ski-hill. **\$11,500,000** US. Ross.Halloran@
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GLEN ELLEN, CALIFORNIA
Nestled on the shoulder of Sonoma Mountain, a modern 10+ acre country estate with architecture that brings the outdoors in. This 4 bedroom, 4.5 bath, south-facing "smart" main house has high ceilings and ample daylight. **\$4,575,000**. Donald Van de Mark.
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NAPA, CALIFORNIA
This magical 1-acre oasis overlooking the vineyards and mountains includes 3 dwellings: a 2 bedroom, 1 bath house, a renovated 2-story barn with 1 bedroom apartment, and a remodeled 2 bedroom, 1 bath + den residence. **\$2,495,000**. Lydia Sarkissian, Magda Sarkissian and Bill Bullock.
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PORTOLA VALLEY, CALIFORNIA
The best of California indoor-outdoor living in this quintessential Portola Valley 5 bedroom retreat. Lush grounds surround this sprawling home with a family-centric floor plan. A peaceful oasis in the heart of Silicon Valley. **\$5,998,000**. Michael Dreyfus.
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RANCHO SANTA FE, CALIFORNIA
Newly built, this spacious French Country residence is awaiting finishing touches to make it a true reflection of your unique taste. Includes 2.56 acres, 6 en suite bedrooms and a detached guest house. **\$3,988,000**. Jennifer J. Janzen-Botts, K. Ann Brizolis & Associates.

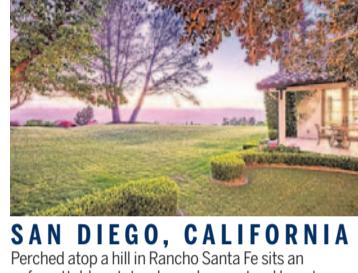
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SAN DIEGO, CALIFORNIA
Private and masterfully built craftsman with unobstructed ocean views, set on over 1.5 acres and surrounded by 80 acres of open parkland. Like no other in SoCal. 6 bedrooms, 5 baths, over 7,300 sq. ft. with guest casita, wine cellar and WWI bunker. **\$24,995,000**. Corinne St. John.
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SAN DIEGO, CALIFORNIA
Nested in the hillsides of La Jolla overlooking the city and Pacific Ocean, sits a magnificent brand new, custom construction contemporary estate designed by famed architect/builder Roman James. **\$7,995,000** **\$8,995,000**. Eric Iantorno and Brett Dickinson.
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SAN DIEGO, CALIFORNIA
Perched atop a hill in Rancho Santa Fe sits an unforgettable estate where sheer natural beauty surrounds. From this one-of-a-kind setting, savor spectacular ocean views to the West and majestic mountain views to the East. **\$6,995,000**. Eric Iantorno and Jason Davis.
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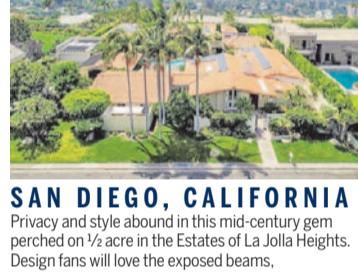


SAN DIEGO, CALIFORNIA
Enjoy whitewater views from this new construction, custom-built, impeccably finished estate. Vaulted ceilings and wall-to-wall glass doors afford unparalleled views of the coast with 50 ft. of ocean frontage. **\$6,495,000** **\$6,995,000**. Eric Iantorno and Holly Nanula.
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SAN DIEGO, CALIFORNIA
This La Jolla estate is nearly 7,300 sq. ft. and seamlessly blends stone, woods, copper, with luxury but comfort in every room. Enjoy expansive canyon views with lush landscaping, pool, spa, barbecue, fire pit and evening entertainment. **\$4,995,000**-\$5,495,000. Brett Dickinson.

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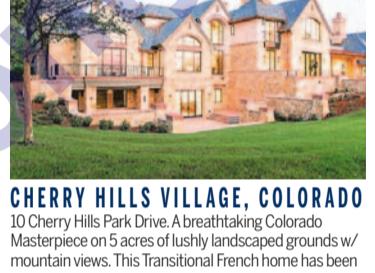
SAN DIEGO, CALIFORNIA
Privacy and style abound in this mid-century gem perched on 1/2 acre in the Estates of La Jolla Heights. Design fans will love the exposed beams, expansive windows, indoor/outdoor feel from sunlit rooms and new flooring/carpets. **\$3,250,000**-\$3,750,000. Brett Dickinson.
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SONOMA, CALIFORNIA
This nearly new, single-story home offers vineyard views, a covered veranda and great room with disappearing doors. H-shaped, this home is designed for easy entertaining with a great room in the center & bedrooms at each end. **\$4,975,000**. Donald Van de Mark.
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WOODSIDE, CALIFORNIA
Rare 8.67-acre estate provides total seclusion and includes equestrian facility, tennis court, pool and spa, guest suite with fully-equipped gym and fitness studio, detached estate manager's office, and separate personal office. **\$29,500,000**. Michael Dreyfus.
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CHERRY HILLS VILLAGE, COLORADO
10 Cherry Hills Park Drive. A breathtaking Colorado Masterpiece on 5 acres of lushly landscaped grounds w/ mountain views. This Transitional French home has been completely rebuilt from its original 2000 foundation. With the finest luxury contemporary finishes & craftsmanship throughout. **\$18,000,000**. Rochelle McNaughton.
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CHERRY HILLS VILLAGE, COLORADO
8 Sunset Drive. Gated Georgian revival estate on 5.88 acres of absolutely private, lushly landscaped grounds! Pool, tennis court and large entertaining pavilion overlooking the most exquisite personal grounds in Cherry Hills Village. **\$11,900,000**. Rochelle McNaughton.

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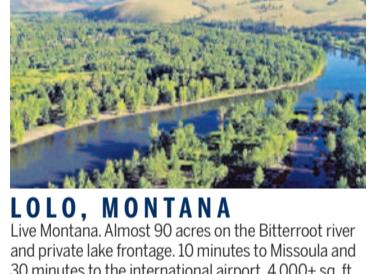
POTOMAC, MARYLAND
Cullinane-built masterpiece located in the prestigious Round Hill neighborhood. Wide-plank, pegged oak floors, custom plaster ceiling details, oversized casings and moldings. The level of artistry throughout is without parallel. **\$3,350,000**. Marc Fleisher.
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BEACON HILL, MASSACHUSETTS
Outstanding multi-family investment property with nine residential units in the heart of Beacon Hill. The shining star of this lovely brick Federal-style building is the stylishly renovated 2-story, 2 bedroom apartment. **\$6,900,000**. Michael L. Carucci.
Gibson Sotheby's International Realty
+1 617.901.7600 | gibsonsothebysrealty.com



DOVER, MASSACHUSETTS
A unique 3-acre equestrian compound surrounded by bucolic lands and the Norfolk Hunt Club, just 15 miles from Boston. Property consists of a historic cape home updated in 2016 and a barn with 6 ventilated stalls. **\$3,950,000**. Michael L. Carucci.
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LOLO, MONTANA
Live Montana. Almost 90 acres on the Bitterroot river and private lake frontage. 10 minutes to Missoula and 30 minutes to the international airport. 4,000+ sq. ft. custom home and adjacent guest home also available for purchase. **\$1,700,000**. Crystal Ault.
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NEW YORK, NEW YORK
One Sutton Place is a grand scale 20 ft. red brick Georgian town home built in 1920 by Mott Schmidt for Anne Vanderbilt (Mrs. William Vanderbilt). Water views from all major rooms and direct access to Sutton Square Garden. **\$21,000,000**. Mary C. Kent.
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NEW YORK, NEW YORK
Designed, curated and crafted to be the best-in-class, experience grandeur like never before in this high drama Franklin Street loft flanked by stunning circa 1887 architectural columns. **\$18,500,000**. Laurie Silverman and Mara Flash Blum.
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NEW YORK, NEW YORK
This lovely 18 ft. wide, 5,850 sq. ft. townhouse is positioned in the heart of Lenox Hill perfectly situated on a beautiful carriage house block on 75th Street between Lexington & Third Avenue. **\$11,500,000**. Maria Bazo. Maria.bazo@sothebyshomes.com
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NEW YORK, NEW YORK
Welcome to 5 Star Living at the new Four Seasons Private Residences NY, Downtown. This elegant, 1,543 sq. ft., 2 bedroom, 2.5 bath residence comes with an additional 501 sq. ft. studio/home office on the 39th floor! **\$6,350,000**. Kevin B. Brown and Craig George.
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NEW YORK, NEW YORK
This spectacular home, located in the most desirable NoHo location, offers authentic loft living integrated with the modern luxuries expected from today's discerning buyers. **\$5,250,000**. Juliette R. Janssens and Allison B. Koffman.
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BARRINGTON, RHODE ISLAND
This French Normandy estate sits on 5.1 acres of waterfront property with stunning views of Narragansett Bay. Property includes 7 bedrooms, wine cellar, putting green and tennis court. **\$6,900,000**. David Coleman.



WAYNESVILLE, NORTH CAROLINA
The ultimate in mountain living is found in Western NC, with a majestic lodge inspired gated estate that graces us with an inspiring setting at 3,500 ft. of elevation. Lodge designed home, 5 bedrooms, 6 baths, salt water pool, pool house, working barn **\$5,250,000**. Marilyn Wright.
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CHARLESTON, SOUTH CAROLINA
Situated on a beautiful cobblestone street, enjoy the spacious atrium with glass roof, rooftop deck with city and harbor views, private in-ground pool, elevator to all floors, theatre room, 7,000 sq. ft., 3 bedrooms, 3 full baths, 2 half baths. **\$6,950,000**. Middleton Rutledge. MRutledge@danielravenelsir.com
Daniel Ravenel Sotheby's International Realty
+1 843.345.9137 | Danielravenelsir.com



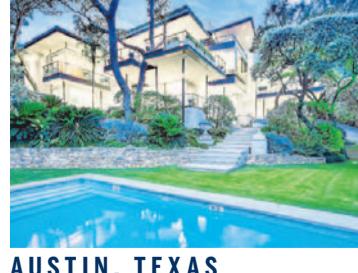
CHARLESTON, SOUTH CAROLINA
This well appointed custom built home blends high quality construction with modern finishes and amenities while offering magnificent views of the Ashley River and city marina in downtown Charleston. 3 bedrooms, 4.5 baths, 3,630 sq. ft. **\$2,195,000**. Middleton Rutledge. MRutledge@DanielRavenelSir.com
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JACKSON HOLE, WYOMING
In tax-friendly Wyoming, at the gateway to Grand Teton and Yellowstone National Parks, the exclusive Bar BC Ranch offers Snake River fly-fishing, exceptional wildlife viewing and Teton views. Elevated and valley 35+ acre parcels. Prices from **\$7,950,000**. TomEvansRE@JHSIR.com
Jackson Hole Sotheby's International Realty
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SULLIVAN'S ISLAND, SOUTH CAROLINA
This Beau Clowney designed, Daly Sawyer masterpiece is unlike any other home on the prestigious Sullivan's Island beachfront. 6 bedrooms, 5 full, 2 half baths, 5,070 sq. ft. **\$7,895,000**. Ruthie Ravenel. Ruthie.Ravenel@DanielRavenelsir.com
Daniel Ravenel Sotheby's International Realty
+1 843.696.8858 | Danielravenelsir.com



AUSTIN, TEXAS
Exquisite contemporary designed to showcase unparalleled views of Downtown Austin and Lady Bird Lake and provide gracious space for entertaining. Extremely private with beautifully landscaped grounds. **\$6,950,000**. Kumara Wilcoxon. Kumara@sothebysrealty.com
Kuper Sotheby's International Realty
+1 512.423.5035 | 1404wildcat hollow.com



AUSTIN, TEXAS
Thoughtfully designed by Steve Kubena, this home is truly one-of-a-kind. Designed to look as if it was built in the 20's or 30's, perfectly tying the home into the Old Enfield neighborhood style. **\$3,925,000**. Kumara Wilcoxon. Kumara@sothebysrealty.com
Kuper Sotheby's International Realty
+1 512.423.5035 | 2307windsor.com



WOODSTOCK, VERMONT
Superb custom residence, incredible view. Living spaces feature 4 bedrooms in the main residence, 1 bedroom guest suite and 1 bedroom guest apartment over barn. Designed for gracious country living. 1 mile from Woodstock Village. **\$1,475,000**. Laird Bradley.
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MANSION | FOOD & WINE AT HOME

**GOING ENGLISH COUNTRY**

The owner of this Bay Area kitchen wanted the "essence of a 1920s English country kitchen." To that end, designers at Canyon Design Build in Oakland settled on a white Wedgwood stove—from the 1950s. "One of the problems was that there was no ventilation in the home, so we mixed that with a contemporary hood made of stainless steel," says Chris Avant, chief executive of the firm.

Other features include a checkerboard-yellow backsplash, and an alternating yellow and red palette for the rest of the kitchen. Another throwback touch was the surface-mounted lighting.

**'YELLOW AND RETRO'**

The homeowner in this San Diego condo gave designer Rosella Gonzalez, at Jackson Design & Remodeling, just two words: yellow and retro. "She knew the feel she wanted, but had no clue beyond that," says Ms. Gonzalez. The first step was to locate colorful period appliances, including the yellow Elmira stove Ms. Gonzalez found. The designer then suggested a countertop and backsplash of yellow ceramic tiles with black trim made by American Olean. Yellow-and-white linoleum on the floor finish the look. Softer and simpler touches, like round-edge Carrara marble countertops, are used as contrast elsewhere.

Putting the *Kitsch* in Kitchen

Cooking areas that channel fun and nostalgia while keeping a look of luxury

Stainless-steel countertops. Marble islands. For years, the tasteful kitchen look hewed toward a sleek homogeneity.

But some homeowners are shying away from the hypermodern in favor of eclectic, retro-looking cooking spaces. At Jackson Design & Remodeling in San Diego, Calif., about 40% of their kitchen projects are vintage-inspired.

Tatiana Machado-Rosas, a senior interior designer at the firm, says that this trend is shared by older and younger homeowners interested in authentic period-design styles.

Decorating kitchens that stay on the right side of the line separating whimsical from cheesy isn't cheap. Owners of the four spaces featured here spent between \$26,000 and \$150,000 for their kitchen redesign.

—Katerina Ang

**AN ISLAND STATEMENT**

Australian designer Gavin Hepper was commissioned to renovate the kitchen of a 1950s cottage in Wollongong, south of Sydney. One of the bedrooms still had avocado-green wallpaper from the period, which the designer appropriated for a geometric backsplash.

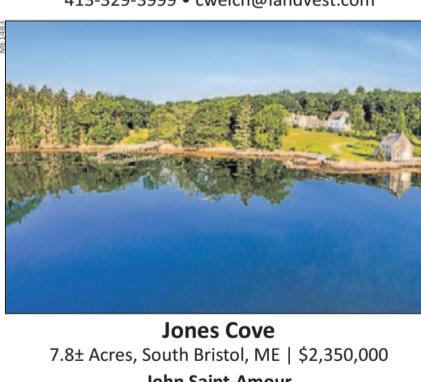
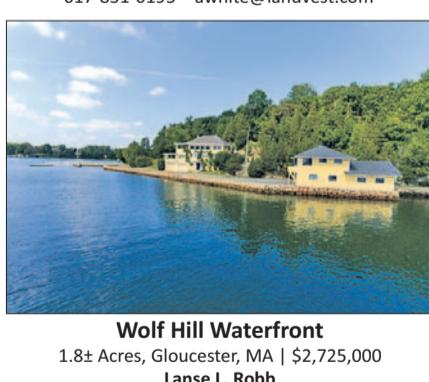
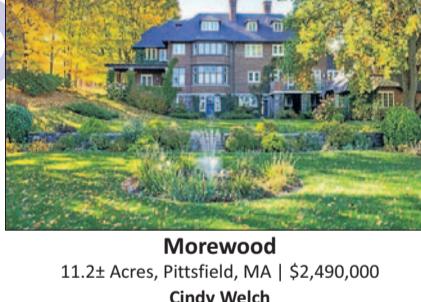
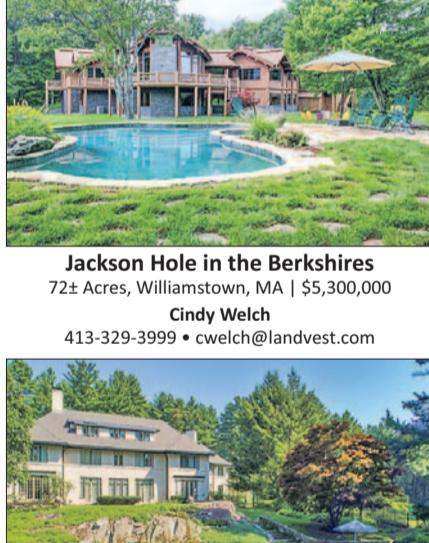
The centerpiece is the roughly 13½-foot island, which has timber laminate and lime-green accents. Lights attached underneath the unit cast shadows onto the floor. According to Mr. Hepper, the statement piece is what gives the space sophistication. "Otherwise, it's just a funny green kitchen," he says.

**THAT '70S SHOWPIECE**

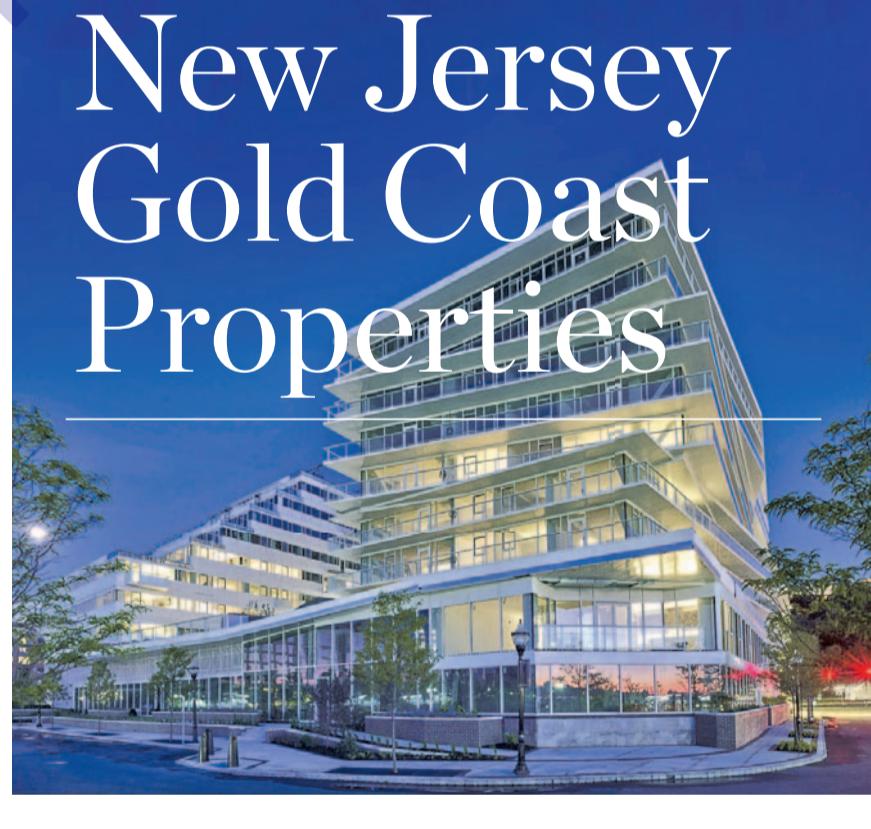
The young owners of this kitchen in a cottage on England's Cornish coast hired George Robinson of George Robinson Kitchens to create a room inspired by their orange period fridge. Mr. Robinson picked shelving that alternated between apricot and neutral colors. The drawers are made of birch plywood commonly used in the 1970s, instead of the solid wood typical today. Chunky cast-iron handles add to a "built-in look with a '70s vibe to it," says Mr. Robinson. He also put in a Silestone quartz worktop that resembles Formica laminate.

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Special Advertising Feature

WESTCHESTER AND FAIRFIELD COUNTIES

Leaving the City Behind

EVAN JOSEPH



'Young Wine in Old Bottles' Drives Westchester Market

TIMELESS ARCHITECTURE MAKES THE AREA A POPULAR RIVAL FOR NEW JERSEY AND LONG ISLAND

Connecticut Buyers Investigate Remote Communities

FOR THOSE NOT CONCERNED WITH COMMUTING, PROPERTY BARGAINS CAN BE HAD

Special Advertising Feature
WESTCHESTER AND FAIRFIELD COUNTIES

'Young Wine in Old Bottles' Drives Westchester Market

TIMELESS ARCHITECTURE MAKES THE AREA A POPULAR RIVAL FOR NEW JERSEY AND LONG ISLAND

By Joseph Dobrian

Home-buyers looking for value have been gravitating northward from New York to Westchester County since Colonial times. Westchester is rich in history and that means incomparable architecture, in towns that have been building on their heritage for nearly 400 years.

Many prospective buyers come to Westchester in hope of finding an older home, perhaps with acreage, preferably with a story behind it. Others dream of building something new on an old foundation. Andy Todd, president of Greystone on Hudson, says his new gated community—located just 13 miles from Manhattan in Westchester County—offers old-world craftsmanship and timeless design.

"PEOPLE LIKE PROVENANCE, AND THAT HELPS US SELL THESE OLDER HOMES."

"This is an historic 100-acre enclave with breathtaking Hudson River views," he explains about the land that once belonged to an oil magnate. "We're building 21 grand estates, starting at \$3.5 million, with every amenity you can think of. All of the houses are bespoke; they're inspired by the turn-of-the-century mansions of America's most illustrious families. Nine homes are already either sold, under contract, or built and ready for immediate occupancy, while other lots are still available for you to build the home of your dreams."

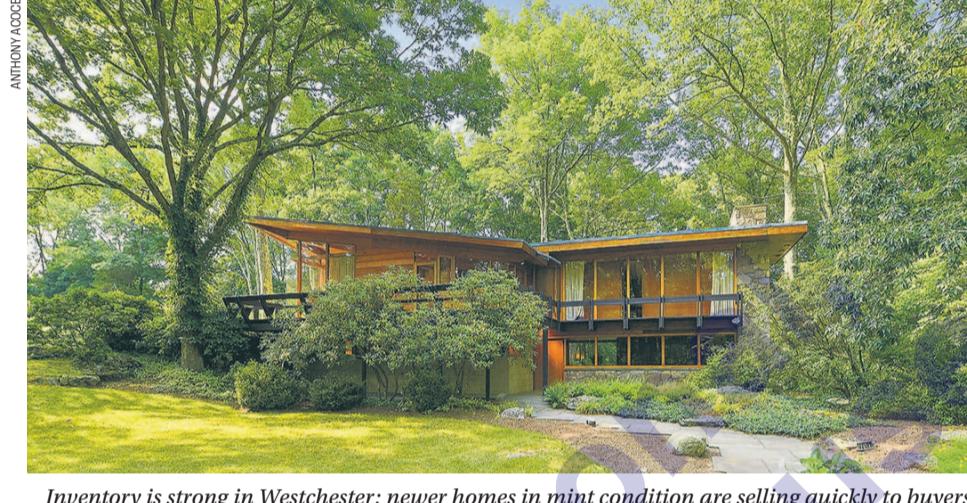
Mr. Todd says his office has been especially busy since the new Federal income-tax law came into effect, although he's not certain that there's a correlation.

ELEGANT LUXURY

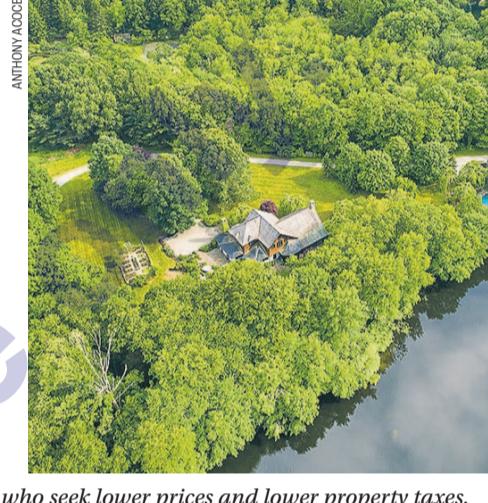
Greystone on Hudson overlooks the east bank of the Hudson River and consists of two- to five-acre estates. An elegantly dressed sentry stands watch at the gatehouse, providing doorman and concierge service round the clock. The terraced hillside offers views of the Hudson River, Lyndhurst Castle, The Palisades and Pocantico Hills, and the Tappan Zee Bridge. Greystone on Hudson borders two thousand acres of protected nature preserves, which include hundreds of



Historic craftsmanship meets classic design: Greystone on Hudson is a new gated community in Westchester County, 13 miles from Manhattan.



Inventory is strong in Westchester: newer homes in mint condition are selling quickly to buyers who seek lower prices and lower property taxes.



miles of hiking, biking and riding trails.

The properties have been designed to maximize light and space. They feature geothermal heating and cooling, "smart home" technology, and radiant heated flooring throughout the kitchens and bathrooms. The progression of indoor and outdoor spaces is tailored for large-scale entertaining.

Gay Rosen, associate broker in the Larchmont, N.Y., office of William Pitt Sotheby's International Realty, says the southern portion of Westchester offers exceptional variety—and amazing value compared to Manhattan. "A luxury home in the city could be a 10-room apartment, for which you'll pay \$15-\$30 million," she says. "Westchester is only a few miles away and you could have much more space for not much over \$3 million. What defines luxury? It could be price, location, amenities, depending on what you're looking for. There has been so

much construction of that ultra-high-end product in the city, but they don't have the buyers to justify it—and this is helping homes in our market to move. Right now, the town of Rye is very hot, because people want newer homes that they don't have to renovate, and Rye has that. You'll be near water; you have a cute village, slightly lower taxes and newer homes.

"Other markets have wonderful homes, with history, but they might need renovation. People like provenance, and that helps us sell these older homes.

"What people like about Larchmont is its European-style atmosphere. It has a wonderful French-American school and other continental touches. In general, Westchester appeals to the buyer who likes golf, water and no stress."

Daniel Ginnel, broker at Ginnel Real Estate in Bedford, N.Y., reports that inventory is strong in Westchester and that newer homes in mint condition sell

quickly. He sees a disconnect between what sellers are asking for older properties and what buyers are willing to pay.

CONTRASTING AESTHETICS

"You have to put yourself in the mind of a 35-year old who doesn't share the same aesthetic in surfaces that you put in 25 years ago, even though you maintained them perfectly," he advises. "She's figuring in the expense of replacing them, while the seller thinks, 'Why would you want to?' That creates the value gap. Buyers in the \$1.5-\$3 million range usually work for a living, so those considerations do impact what they're willing to offer. In terms of how a home is decorated, 'timeless' lasts about 15 years."

"Markets that are a little farther out, with good schools and lower property taxes, are attractive to buyers who can tell themselves, 'For an extra 20 minutes on the train, look what I'm getting.'"

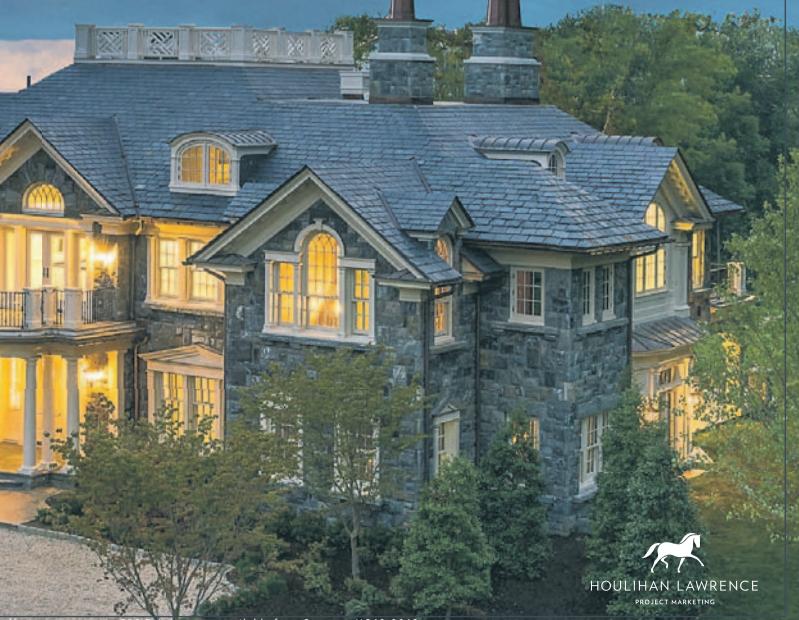
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Special Advertising Feature
WESTCHESTER AND FAIRFIELD COUNTIES

Connecticut Buyers Investigate More Remote Communities

FOR THOSE NOT CONCERNED WITH COMMUTING, PROPERTY BARGAINS CAN BE HAD

By Joseph Dobrian

Low taxes and a bucolic lifestyle attract many house-hunters to Fairfield County, Conn. Some parts of the county provide an easier commute to Manhattan than others, but people who live in the more remote communities would just as soon not bother with city life. It's those areas that currently offer some of the best bargains.

QUICK RECOVERY

"The suburbs nearer to Manhattan recovered more quickly from the economic downturn of 10 years ago," says Laura Freed Ancona, agent with William Pitt Sotheby's International Realty in Ridgefield, Conn. "The farther you go from Manhattan, the longer it has taken for the market to recover. So, this is a very good time to buy in Ridgefield and Redding."

Ridgefield is the top-rated under-25,000 town in Connecticut in terms of quality of life, low crime rate, great schools, and five-star restaurants—and all just a little more than an hour from Manhattan."

Redding is a smaller bedroom community, with a population of about 10,000, including many artists and writers who prefer more privacy, and a traditional town green that's surrounded by historic buildings. In both communities, Ms. Freed Ancona says she has listings priced at

considerably less than previous owners paid for them.

"I'm representing 111 Spring Valley Road, known as Mallard Pond, in Ridgefield, at \$4.995 million," she says. "I had the same house listed at \$7.995 million in 2007, and the new owners have done even more to it since then. It consists of 11,000 square feet on just under six acres: a 22-room custom Georgian colonial with a pool, beautifully manicured gardens, a meditation pavilion—and the scenic duck pond, for which it's named."

LOWER PRICES

"In Redding, I have a home on 8.11 acres, also custom-built. It has an elevator, almost 10,000 square feet, with five-plus bedrooms, on the market for \$1.845 million, even though the owners spent more than \$5 million building it in 2005."

Another listing in Ridgefield, which commanded a \$2.3 million purchase price in 2004 and received another \$1 million worth of upgrades and renovations, is now on the market for \$1.525 million.

"It has a full 14-seat theater in the lower level; a game room; a bar, and a detached car barn with three bays in addition to the attached three-car garage," Ms. Freed Ancona says.

"Both these towns have wonderful schools," she adds. "There are incredible buys in both Ridgefield and Redding today, and Connecticut's taxes



Mallard Pond in Ridgefield, a luxury home of 11,000 square feet on six acres, is priced much lower than in 2007.

are far lower than New York's."

Jim Gricar, general sales manager of Houlihan Lawrence in Rye, N.Y., says the luxury market in general is currently buyer-friendly, but two towns in particular offer some real finds: Weston, where he has lived for nearly 20 years, and its neighboring town, Wilton.

COUNTRY-LIKE TOWNS

"Weston and Wilton are not on many radars because they are perceived as not within commuting range, though they're only 51 miles from the city," he says. "They're country-like, with small town centers. If they weren't in Fairfield County, you'd swear you were in upstate New York."

"Value markets become value markets because people miss

them, and then when they notice a market, it gets hot, and is no longer a bargain. Weston is physically large but with few houses, and not every buyer wants land. You might prefer just under an acre in a New York suburb, rather than two or three in Weston. But property taxes in Fairfield are so much lower, so people are taking a second look."

"CONNECTICUT TAXES ARE FAR LOWER THAN IN NEW YORK."

Mr. Gricar says he hopes Fairfield County's inventory will correct itself, as the value-priced properties sell off—but in the

meantime, the high inventory of luxury property is slowing sales at the high end.

"We're seeing a similar dynamic in the city, with a glut of inventory in the luxury market," he observes.

"Wherever the watermark is between 'luxury' and 'affordable,' that's where the action is, in both Fairfield and Westchester Counties. New Rochelle, in Westchester, is another value market. If I were a buyer today, I would at first avoid the obvious locations and look for value. What sells is what is perceived as correctly priced and transactable."

Joseph Dobrian is a freelance writer specializing in real estate matters.

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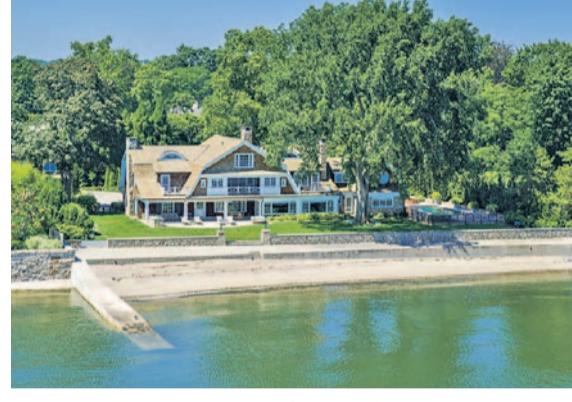
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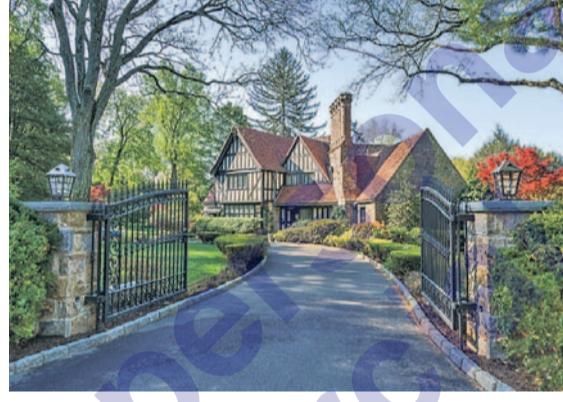
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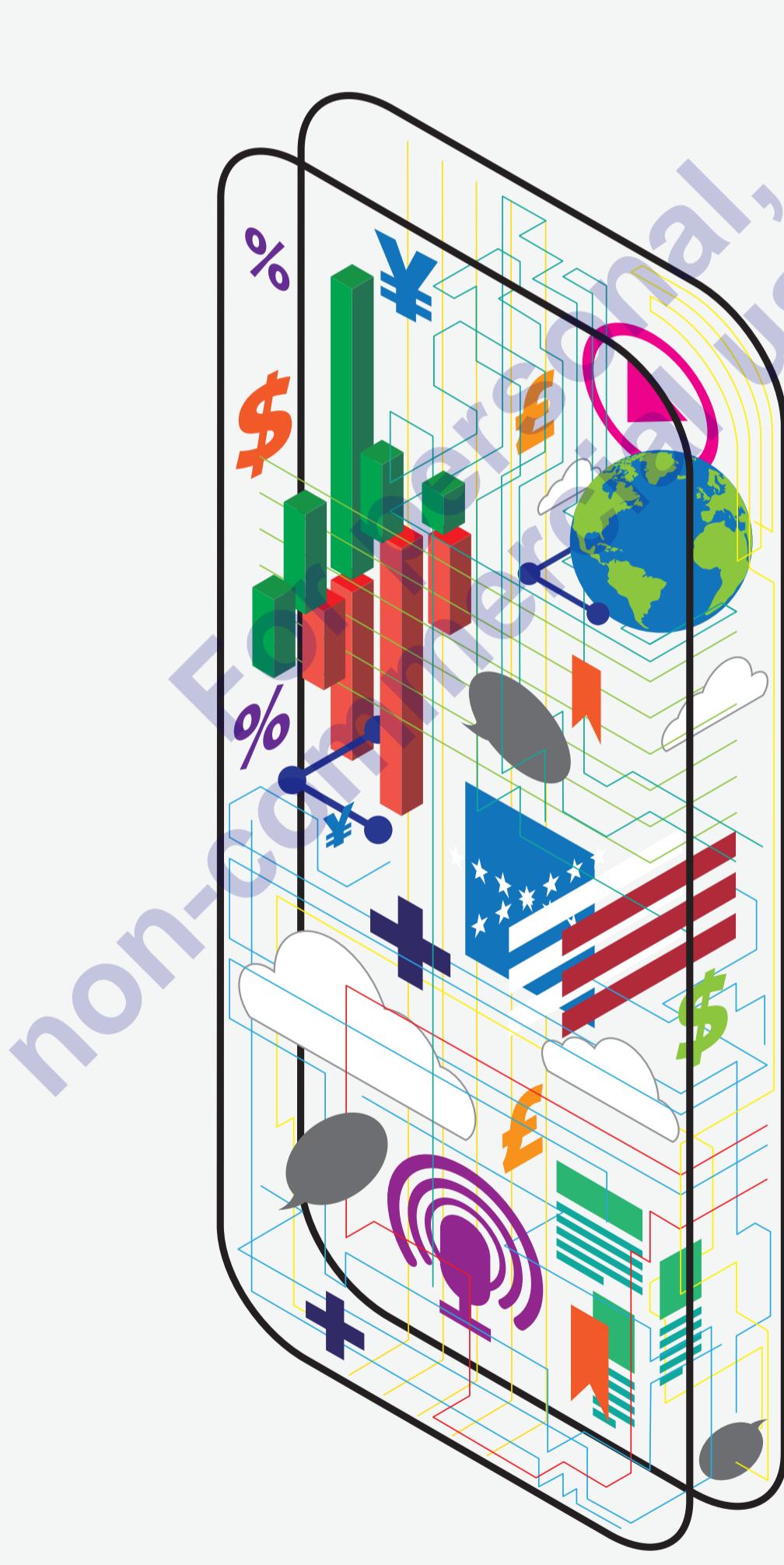
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MANSION | FOOD & WINE AT HOME

ANNOTATED ROOM

Recipe for an English Pantry

The \$30,000 space features the family's china collection in custom cabinetry and wall paint infused with powdered marble

BY KAREN BRUNO



This English pantry does more than just store marmite, potato crisps and spotted dick. The open shelving in the 54-square-foot space displays the family's collection of serving pieces and china.

The kitchen and pantry were designed by Peter Humphrey for a couple and their three children, ages 5, 9 and 16, who live in a Tudor manor house in Suffolk, England. Here are some of the elements in the roughly \$30,000 project created by Mr. Humphrey, founder and design director of Humphrey Munson, based in Essex.

1. Custom cabinetry by Humphrey Munson is made of tulipwood. Some of the upper shelves have hidden grooves to keep plates in place. // **Price:** \$27,000, including installation, for Longford cabinetry, shelving and quartz countertops

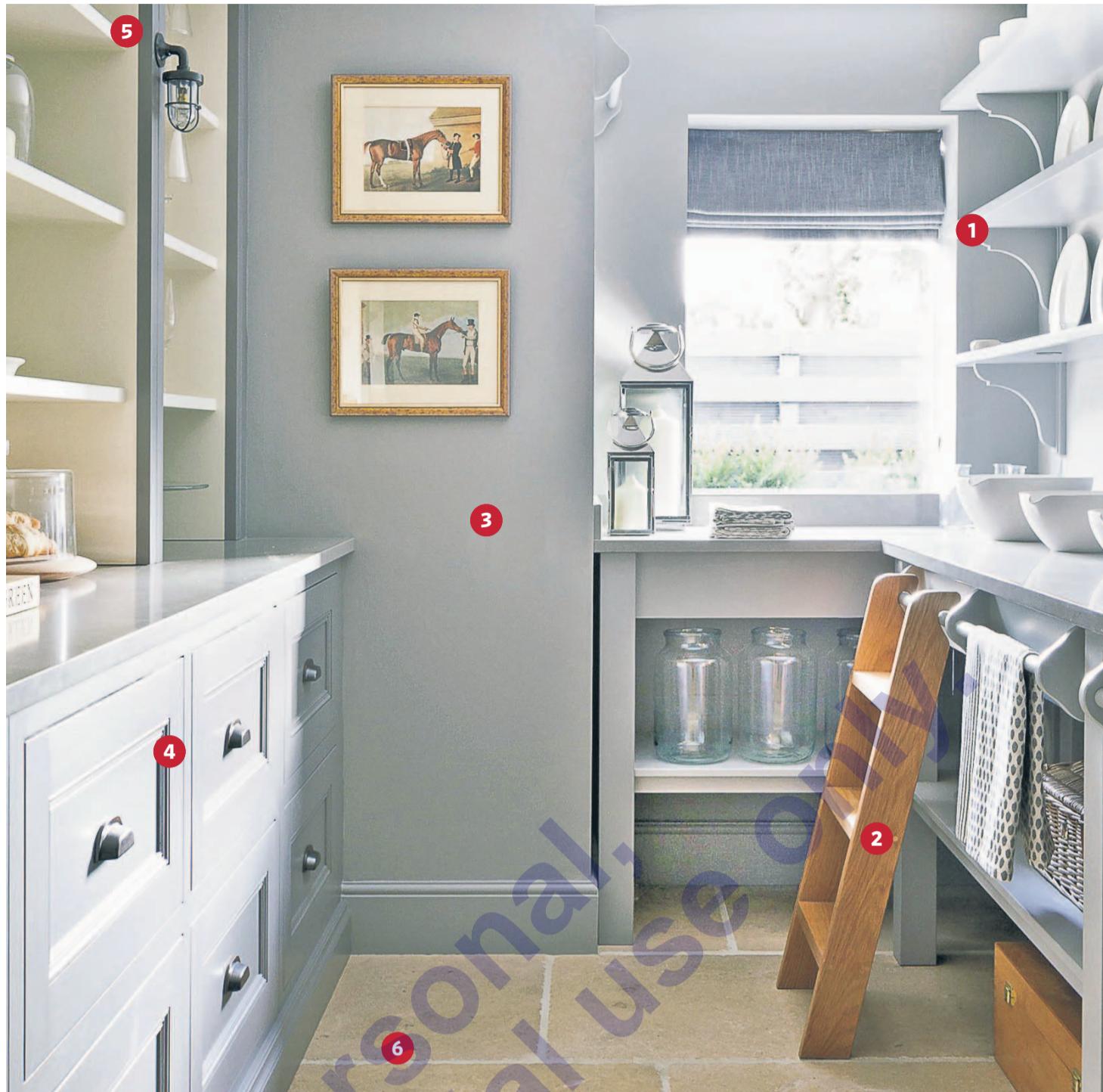
2. A portable lacquered ladder hooks onto mounted bars to keep it steady when reaching for high-shelf items. // **Price:** \$644

3. The wall paint, by London-based Mylands for H/M Paint Atelier, has ground marble powder for a durable finish. Other colors, in eggshell, are Farthing and Farthing II for cabinets, shelving and drawers, Linen for shelf interiors, and Top Hat for the pantry door. // **Price:** \$36-\$60 a gallon

4. The eight Bray-model drawer pulls are finished in weathered brass. // **Price:** \$88 each

5. Illumination for the pantry comes from the window, can lights in the ceiling and LED lights concealed in the shelving. For ambient light, two vintage-inspired ship's lights are mounted to the upper cabinets. // **Price:** \$276 for six can lights; \$143 for the LED lighting; \$770 for two miniature ship's well wall lights by Davey Lighting by Original BTC.

6. The tumbled limestone Manoir-line floor tiles suit the Tudor-style décor and have been treated with sealer to resist stains and scuffing. // **Price:** \$664 for whole floor



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Traci Des Jardins

Continued from page M1
 homes include a rustic cabin in Shaver Lake in the Sierra Nevada mountains, about a four-hour drive east of San Francisco. Her parents bought the property for \$19,000 in 1971, and she purchased from them for \$130,000 in 1998, she says. In 1995, she paid \$305,000 for a classic "Marina-style" two-bedroom apartment in San Francisco's Castro district, which she is currently renovating. Ten years later, she paid \$766,500 for a cottage-style house in Sebastopol, a small wine country town in Sonoma County; today she rents it out to a friend whose home burned down in the wine country fires last fall, she says.

While her Castro place is being renovated, Ms. Des Jardins is living full-time in Ms. Roy's roughly 2,600-square-foot Victorian in the Mission, which was purchased for \$1.59 million in 2008 (Ms. Des Jardins doesn't have an ownership stake in this house). Ms. Des Jardins plans to move back once her apartment is done; since becoming a couple in 2008, both Ms. Roy, who has two sons from a previous relationship, and Ms. Des Jardins, who has one, decided to maintain separate households for their children. Their homes are about 8 blocks away from each other, and they spend time in both, Ms. Des Jardins says.

The three homes she owns have risen by nearly \$1.85 million since she bought them, according to estimates by real estate agents in each area. Ms. Roy's Victorian has also soared, gaining approximately \$1.4 million since purchase.

For all her properties, "the only parts I care about are the kitchens or the outdoor cooking areas," Ms. Des Jardins says. She proudly shows off cellphone pictures of her outdoor wood-burning fire pit at Shaver Lake, where she cooks "everything," including trout she fishes herself. The cabin provides a retreat for family and for fellow chefs: On a recent vacation, Ms. Des Jardins fished, hiked and cooked with fellow California



Traci Des Jardins cooking in the San Francisco Victorian. 'We have sitting rooms here, but I never sit,' she says. 'The kitchen is my only domain.' Below: The dining area of her rustic cabin in the Sierra Nevada mountains.



Cooking pork shoulder on the fire pit of the Shaver Lake property; chanterelles, fennel, red onion and tarragon; Ms. Des Jardins paddle boarding on Shaver Lake with Linus.

A CHEF'S PORTFOLIO

Ms. Des Jardins takes a buy-and-hold approach to real estate. Here's an estimate of how her properties have performed.

SHAYER LAKE CABIN ▶

Bought for: \$130,000 in 1998

Stats: 1,468 square feet; two bedrooms, one bath cabin that backs up to woods and the lake

Value Estimate: Roughly \$450,000

Annualized Gain: 6.4%

Estimate by Eric Rhoads of Pinna-

cle Real Estate in Shaver Lake

SEBASTOPOL COTTAGE

Bought for: \$766,500 in 2005

Stats: 1,270-square-feet; two-bedroom cottage

Value Estimate: Roughly \$795,000 to \$849,000

Annualized Gain: .28% to .79%

Estimate by Randy Tallariti of Pacific

Union International, Santa Rosa



CASTRO DISTRICT CONDO

Bought for: \$305,000 in 1995

Stats: About 1,600-square feet; two bedrooms; under renovation

Value Estimate: Roughly \$1.75 million

Annualized Gain: About 7.89%

Estimate by Natalie Hatvany

Kitchen of Pacific Union Interna-

tional, San Francisco



VICTORIAN HOUSE IN THE MISSION ▶

Bought for: \$1.59 million in 2008

Stats: About 2,600-square-feet; three bedrooms; high ceilings and period details

Value Estimate: Roughly \$2.7 million to \$3 million

Annualized Gain: About 5.5% to 6.6%

Estimate by Natalie Hatvany

Kitchen of Pacific Union Interna-

tional, San Francisco



Notes: *Ms. Des Jardins isn't an owner of this house. **Gains aren't adjusted for inflation. ***Agents who provided rough market estimates didn't visit the properties.

A LESSON IN OLIVE OIL

Ms. Des Jardins keeps numerous bottles of olive oil on open shelves in her kitchens, away from the stove (heat erodes the subtle characteristics of a top quality oil). Here's how she says she uses them:

Pure Olive Oil (not extra-virgin)

FLAVOR: Milder

USE: For high heat sautéing and for aioli and mayonnaise.

Sicilian EVOO

FLAVOR: Fruity and can have some grassy characteristics

USE: For slower ragouts that can serve as sauces.

Spanish EVOO

FLAVOR: Also fruity, with grassy or vegetal notes.



USE: For everything she uses Sicilian oil for, including salads.

California EVOO

FLAVOR: Ms. Des Jardins looks for oil made from olive varietals that originate in Southern Europe, including arbequina and picoline.

USE: Multi-use, including sauces and salads.

Tuscan EVOO

FLAVOR: Can be peppery and slightly bitter

USE: For a condiment on a steak or lamb—something that can stand up to it.

Central Park West



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3 Bed 3.5 Bath

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kblackmon@compass.com

West Village



122 Greenwich Avenue
\$23,950,000
4 Bed 5.5 Bath

Kyle W. Blackmon
646.798.8898
kblackmon@compass.com

Flatiron



23 East 22nd Street
\$13,250,000
4 Bed 4.5 Bath

Kyle W. Blackmon
646.798.8898
kblackmon@compass.com

West Village



166 Perry Street
\$5,250,000
3 Bed 3.5 Bath

Nick Gavin, Josh Doyle
646.610.3055
gdt@compass.com

Boerum Hill



246 Bergen Street
\$4,995,000
5 Bed 3.5 Bath

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\$2,995,000
2 Bed 2 Bath

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Chelsea



107 West 25th Street
\$1,790,000
2 Bed 1 Bath

Bickley Rosenberg Team
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ronnie.rosenberg@compass.com

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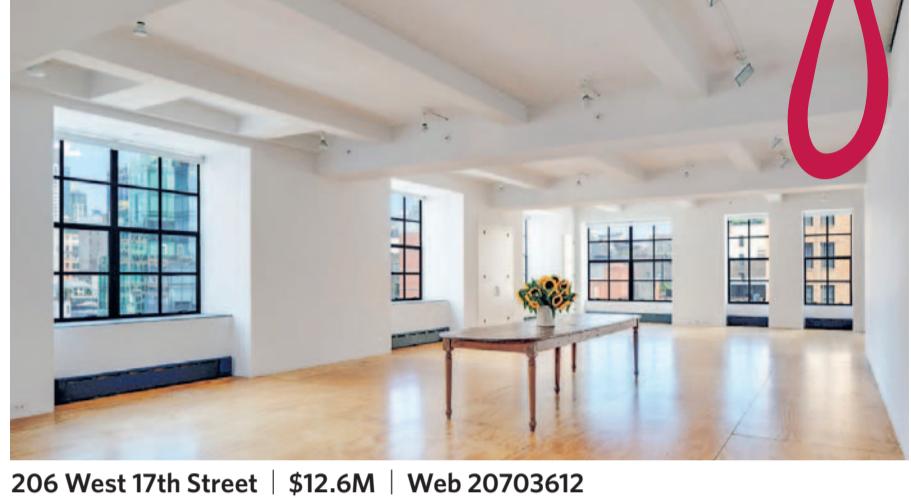
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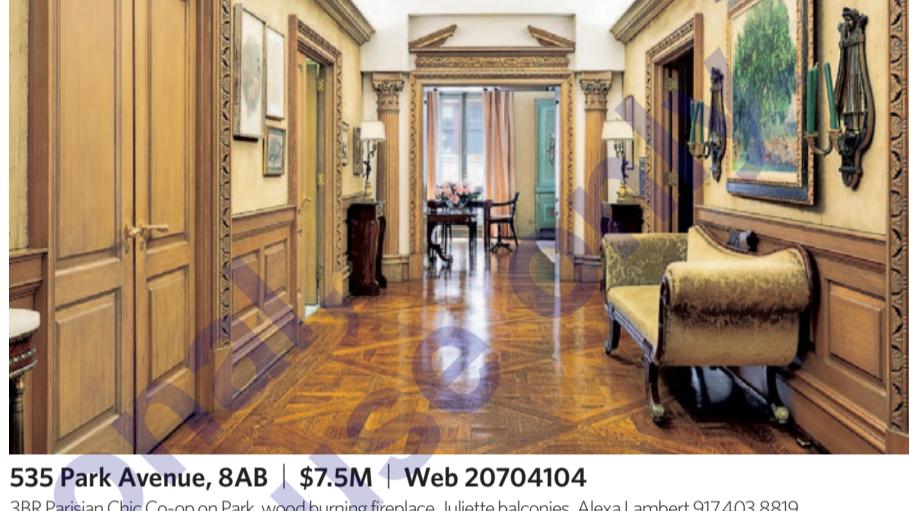
Bklyn Hts Dplx PH w Spectac Manhattan Harbor Vus. 10 rms, 4BR+lib, 4.5Bth in top PW Co-op Cornelia Eland 212.452.4384

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3BR Parisian Chic Co-op on Park, wood burning fireplace, Juliette balconies. Alexa Lambert 917.403.8819

WEST SIDE**115 Central Park West | \$12.95M | Web 20452444**

The Majestic, renovated sun-flooded 4BR Co-op. Light & views. Co-Exclusive. Rosette Arons 917.886.7996

2150 Broadway | \$12.75M | Web 20620260

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Iconic Dakota 8 room w 4 rooms/60ft on Central Park, 3BRs, 2.5Bths. Sharon Walker Flynn 917.744.9693

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Light-flooded 2BR 2.5Bth Condo. 2100+sf of contemp living space. Linda Maloney 212.585.4527

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Grand classic 6 pre-war Condo w sweeping CP & skyline vus. Walter McCullough 212.787.0881

1 Central Park West | \$3.695M | Web 18087725

Perfect address. 1,444 sf split 2BR 2.5Bth Condo. Full hotel services. Inez Wade 212.452.4439

27 West 72nd Street, 1505 | \$3.495M | Web 20611382

Spectacular 3BR 3Bth mint condition Prewar Condo @ The Olcott. Christine Miller Martin 917.453.5152. Deanna Lloyd 757.572.0107

91 Central Park West | \$2.85M | Web 20707024

CPW Classic 6 in prime pre-war Co-op. Spac, open views, light, wbplc. Joanne R. Weng 212.585.4522. Laurie Stolowit 212.434.7094

265 West 94th Street | \$2.295M | Web 20707223

Excl Pomander Walk enclave, an English Tudor style 3BR 2.5Bth triplex. John Barbato 917.254.7630

755 West End Avenue | \$2.25M | Web 20723796

Premier Candela-designed bldg. Bright spac classic 6, hfl, grmt kit. Kirk Henckels 212.452.4402

159-00 Riverside Dr W, 3JK | \$1.695M | Web 20613474

Spectacular River views 3BR, 2Bth Co-op, low maint. Gar \$200/mo. Jacqueline Sencion 917.287.4638

173-175 Riverside Dr | \$1.295M | Web 20448764

Sun-filled corner 4.5 rm in orig cond. 2BR 1Bth Co-op w FDR or den. Pamela D'Arc 917.509.8315

114 West 70th Street | \$1.295M | Web 20611423

Serene & elegant, 2BR w great storage. Pre-war Co-op, Live-in Super. Shannon Helms Wisniewski 917.567.6394

EAST SIDE**1120 Park Avenue | \$25M | Web 20704214**

Magical PH w CP & Reservoir views from every rm. Terraces, wbplc. Alexa Lambert 917.403.8819

**205 East 85th Street, 16CD | \$5.995M | Web 20704838**

3BR 3.5Bth w home office. White glove FS Condo. City & river views. Jadyn Boulan 212.585.4576

795 Fifth Avenue | \$4.25M | Web 16250471

CP views at The Pierre. Renov 2BR 2Bth Co-op, hi cells, 3 exposures. Inez Wade 212.452.4439

59 East 79th Street | \$3.975M | Web 20454026

Glamorous sun-flooded pre-war 3BR Co-op. Large terrace. Near CP. Christine Miller Martin 917.453.5152. Deanna Lloyd 757.572.0107

3 East 77th Street, 10B | \$3.5M | Web 20618354

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201 East 80th Street | \$3.495M | Web 20448744

Lrg, sunny renov. 6 room Condo w priv terr in top bldg. W/D in unit. Christine Miller Martin 917.453.5152. Deanna Lloyd 757.572.0107

950 Park Avenue, 1-G | \$2.725M | Web 20605179

Prof offf space in white glove pre-war Co-op. Lrg reception area w/fplc. Eyal Zabar 646.613.2720

1280 Fifth Avenue | \$1.75M | Web 17991150

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Elegant 2BR 2Bth renovated pre-war Co-op w FDR & wbplc. Susan Verstegen Nolop 212.570.5921. Janice Silver 212.570.6689

130 East End Avenue | \$1.295M | Web 20674405

Spac 2BR 2Bth Co-op, o/sized windows, hi cells. Great light, open vus. Stacey Bradie 212.585.4545. Beatrice Ducrot 212.452.4381

60 East 96th Street, 6C | \$1.1M | Web 20703000

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319 East 105th Street | \$969K | Web 20717361

Meticolously renov 3BR 2Bth duplex @ Renaissance East Condo. Eyal Zabar 646.613.2720

1270 Fifth Avenue, 11K | \$725K | Web 20704750

Renov 1BR Co-op, upgraded windows, king size MBR, storage, WIC. Patrick W. Smith 212.434.7086

370 East 76th Street, B908 | \$695K | Web 20698920

Mint, renov south facing alcove studio. FS Co-op, pool. Low maint. Peter Boehm 917.664.6442

445 East 86th Street, 8E | \$525K | Web 20630821

Oversized, renov alcove studio in FS Co-op w open city views. Peter P. Boehm 212.434.7086

310 East 46th Street | \$695K | Web 20617891

Turtle Bay Towers 2 rm Cond-op w soaring ceilings & setback terr. Jeffrey Stockwell 917.449.3433

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447 East 57th Street, 9A | \$1.695M | Web 20703921

Classic 6 rm estate w 4 expos. White glove Co-op off Sutton Place. Pamela D'Arc 212.452.4379

529 West 42nd Street | \$1.499M | Web 20702502

Hudson Yard 2BR 1Bth duplex Co-op. Working fpplc, & priv rooftop terr. Marion Miner 516.450.8877

305 East 40th Street, 9ST | \$1.2M | Web 20700830

2BR, 2Bth; Spacious LR/DR/Kit; convertible 3rd BR; garage; roof deck. Julie Perlin 917.414.7653

420 West 25th Street, 2J | \$1.175M | Web 20698859

Renovated, modern & tranquil South facing 1BR. Full service Condo. Shannon Helms Wisniewski 917.567.6394

137 East 36th Street, 13R | \$1.15M | Web 20700067

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235 East 40th Street, 18D | \$920K | Web 20699384

Spac, hiflr 1BR Condo, lots of light, great vus. Perfect loc & perfect pool! Janice Silver 212.570.6689

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DOWNTOWN**155 West 11th Street, PHA | \$12.95M | Web 20707229**

Greenwich Ln PH w vus, terr AND parking. White glove GV Condo. Alexa Lambert 917.403.8819. Sean Murphy 917.838.4937

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Prime Village 2BR 2Bth Co-op, hi flr, south exposure, fantastic closets. Cornelia Van Amburg 917.434.1821. Millie Perry 646.613.2651

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WV 3BR 2Bth Condo. Open updated kit w SS applis, WD. 2 exps. Tanner Garland 646.613.2626

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2 Fifth Avenue, 3R | \$1.65M | Web 20705982

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North facing 1BR Condo in Battery Park. New flrs, SS applis, lots of closets. Susan McNicholas 646.613.2712

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Sunny, move-in ready studio in FS Co-op in Greenwich Village. Jamie Seidner 212.585.4541

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Park Slope 2Bth pre-war Condo. Gut renov w/hi end finishes. John Barbo 917.254.7630

320 State

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RESERVED
for Residents

Continued from page M1
boast eateries helmed by celebrity restaurateurs; others feature robust culinary programs complete with cooking classes, wine seminars and truffle festivals. Some even offer prepped gourmet meal kits that homeowners can cook up in their own kitchens.

In Miami, developers are betting that \$22 truffle pasta purses and lamb osso buco can give them an edge in a glutted luxury-condo market. Both are on the menu at Fuel, the private restaurant at the Porsche Design Tower, a 60-story skyscraper that opened last year. Available condominiums are listed from \$6.3 million to \$32.5 million. At Palazzo Del Sol on Miami's private Fisher Island—where prices start at \$7.3 million for a 3,800 square-foot apartment—residents are served drinks and snacks throughout the day at an ocean-front aperitivo bar, Café Sol. The homemade biscotti, tea sandwiches and aperol spritzes are all included in residents' monthly maintenance fees, which are assessed at \$1.11 per square foot.

The cost—and risks—associated with an in-house restaurant are considerable. "If the food quality is poor, service is poor or the menu doesn't have enough variety, the restaurant will not get used much," said Pete Reeb, a principal with John Burns Real Estate Consulting who advises residential developers. In resort destinations, restaurant usage tends to see-saw dramatically with the seasons. And once developers have moved onto new projects, the restaurant typically becomes the responsibility of the homeowners' association.

"It is an expensive amenity—to run an operation like this you have to run it right. You cannot be too concerned about the budget," said Ernesto Cohan, director of sales for Oceana Bal Harbour. Ballerina cost Oceana's developer, Consultatio Bal Harbour, \$1.5 million, he said, and currently operates at a loss. The shortfall is defrayed by owners' common charges. As more residents move in, Mr. Cohan expects restaurant usage to go up. So far, about 80% of the 240 units have sold.

Ballerina is currently open for breakfast and lunch every day, and once a week for dinner. (It also provides condo service and in-home catering.) The restaurant functions as a social hub for Oceana's residents, hosting wine seminars and other events. A weeklong black truffle festival in June featured kosher oyster beef with truffle-mashed potatoes. Ballerina's waitstaff and culinary team keep careful records of residents' dietary restrictions.

"It's very different than operating a regular restaurant—it's like we are their own kitchen," said Tommaso Morelato, whose Toscana Divino Hospitality Group runs Ballerina, along with several popular Miami restaurants and a residents-only restaurant at Oceana Key Biscayne. "These residents can come to eat three or four times a week."

Residents of Boston's 60-story Millennium Tower, where resale prices for available apartments range from \$1.18 million to \$8 million, never have to worry about getting a reservation at Mina at the Tower, a private restaurant on the eighth floor created by celebrity chef Michael Mina. Along with comfort food like buffalo chicken wings and turkey burgers, the menu features signature dishes from several of Chef Mina's restaurants, including

Jean-Paul Enthoven and Patricia della Giovampaola d'Arenberg by the pool of Oceana Bal Harbour in Miami. Top, Ballerina, the condo tower's restaurant.



Stefanie Nifenecker and Greg Kashe at The Transcript, the private bar at 63 Wall in Manhattan, also pictured above.



MANSION | FOOD & WINE AT HOME



BUILDINGS WITH RESIDENTS-ONLY DINING

GREATER MIAMI



Oceana Bal Harbour, a 28-floor condo building with 240 units
Prices: \$3.9 million to \$19.85 million
Restaurant: Ballerina
Signature dish: Spaghetti vongole with Sardinian bottarga



Porsche Design Tower, a 60-story building with 132 units
Prices: \$6.3 million to \$32.5 million
Restaurant: Fuel
Signature dish: Braised short ribs with drunken mission fig puree



Palazzo Del Sol, a 10-story building with 43 units on Fisher Island
Prices: \$7.3 million to \$26.5 million
Lounge: Café Sol
Signature cocktail: Aperol Spritz

BOSTON



Millennium Tower, a 60-story condo building with 442 units
Prices: \$1.18 million to \$8 million
Restaurant: Mina at the Tower
Best seller: The Tower Burger, a classic double-cheeseburger with caramelized onions and secret sauce, served with crispy duck fat fries

CHICAGO

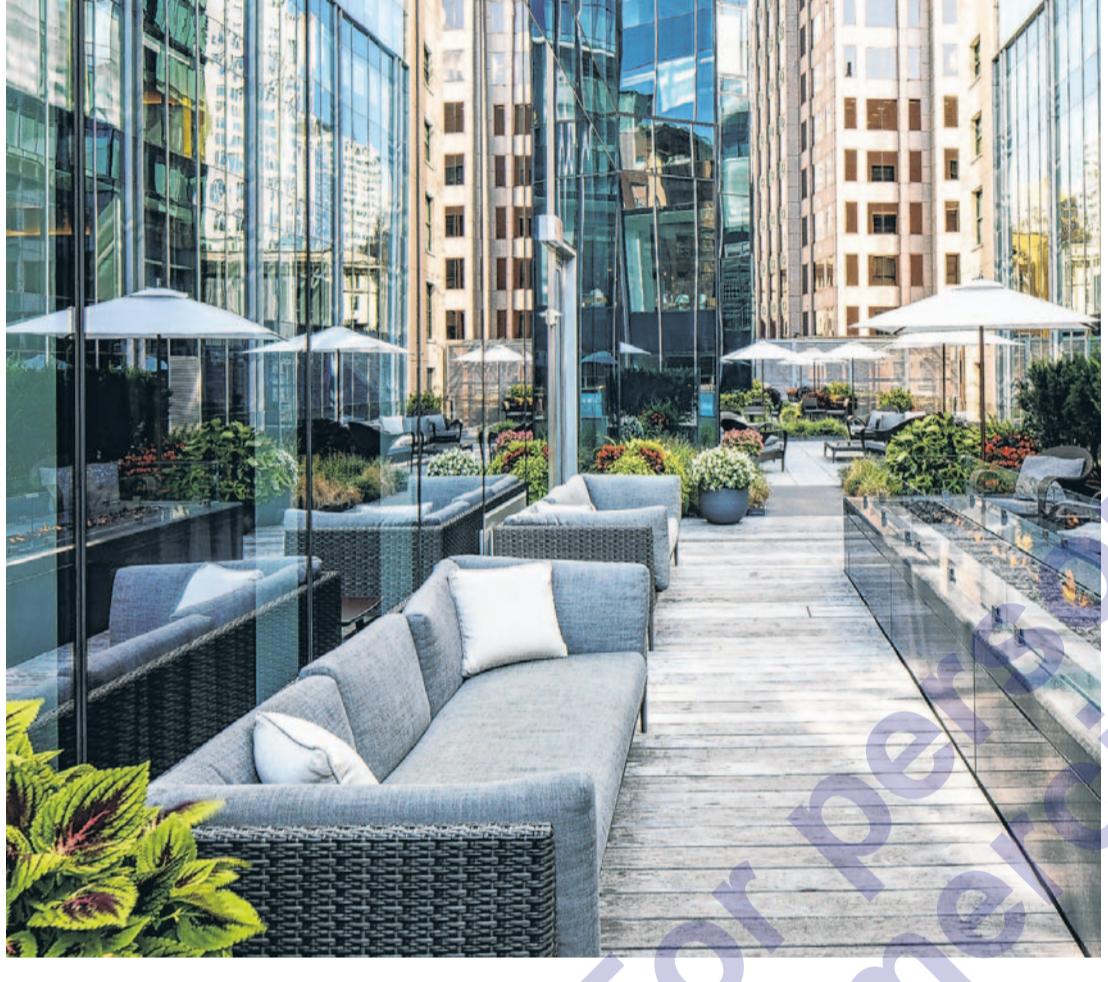


1000M, a 74-story high-rise planned for construction in the city's Michigan Avenue historic district
Prices: \$557,000 to \$8.5 million
Lounge: Club 1000

NEW YORK



63 Wall, a 37-story high-rise with 807 rental apartments (including 67 Wall, also in the complex)
Rents: \$2,400 to \$6,800 a month
Lounge: The Transcript
Signature drink: Savage Love



Top, Julie and Jared Freed, shown with their children Hunter and Brooklyn, dine several times a week at Mina at the Tower at Boston's Millennium Tower. Above, an open-air lounge area at the building. Below, Julie Freed prepares Chef Mina's heritage turkey burgers in her kitchen with daughter Brooklyn.



Now We're Cookin'

Residents of Boston's Millennium Tower have exclusive dining rights at Mina at the Tower, with fare from chef Michael Mina. But if they feel like cooking, they can use an equally exclusive app to download Chef Mina's recipe of the month—for September, king salmon with corn succotash and olive oil-poached potatoes—and then watch a video of him preparing it. They can even pick up a prepped "two pot" version of the meal to complete in their own kitchen.

The culinary team hosts frequent events, such as cooking classes, wine dinners and lobster boils. They are also available for private functions.

"If you can dream it up, we can do it—we are doing women's wine nights, kids' parties—we trick them out with bags of caramel corn, they're over the top," said Chef Mina. "The residents can become ambassadors for your brand if you keep it tight—we've got restaurants all over the country, and these are people that travel a lot."

—Amy Gamerman



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\$4,750,000 www.fiorefarms.com

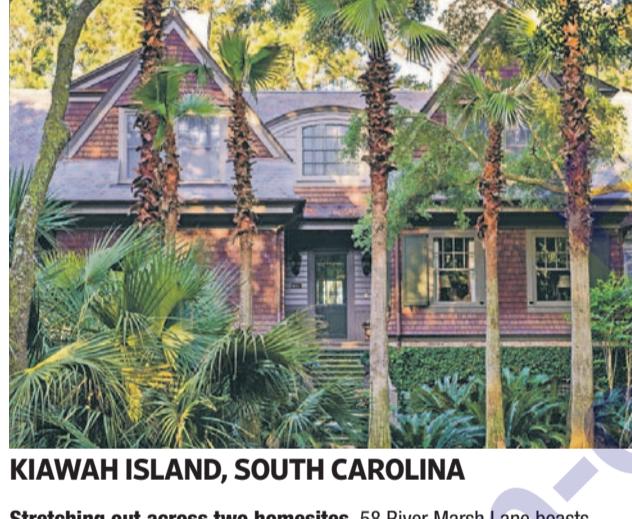
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Kiawah Island Real Estate
phone: 866.312.1780 email: info@kiawahisland.com

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Live auction of this one-acre waterfront estate, with 29 rooms & 17,363sf, will be conducted by Fisher Auction Co. in cooperation with Katrina Campins Group Nov. 1, 2018 with bids starting at \$19.5 million. Originally listed at \$39 million, this classic Venetian masterpiece is adorned with intricate craftsmanship and luxurious appointments throughout.

\$19.5M www.BellaFortunaEstate.com

Fisher Auction Company
Francis Santos
phone: 954.745.0742 email: Francis@FisherAuction.com

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Red Ledges Realty
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PRIVATE PROPERTIES

New York Condo Lists for \$11.95 Million



By KATHERINE CLARKE

John Kim, the outgoing president of New York Life Insurance, is planning to list his three-bedroom apartment at New York's One Madison condo tower for \$11.95 million.

The decision to sell comes as Mr. Kim and his wife Diane make plans to relocate to their home in Naples, Fla., he said, following his scheduled retirement from the insurance giant at the end of the year. Mr. Kim, 57, joined the company in 2008, and was named president in 2015.

The 2,723-square-foot apartment, which is located in the Flatiron District overlooking Madison Square Park, spans the 24th floor of the building and has a wrap-around terrace with views of the



Metropolitan Life Insurance Co. clock tower. The home has 11-foot ceilings, oak plank floors and an open plan kitchen. Residents of the building also have access to a screening room, a fitness center, a

yoga room, an indoor swimming pool and a spa.

Mr. Kim said he had lived in the Flatiron District for more than a decade, and had his eye on One Madison for a long time. "I always

had in my head that I would love to live there," he said. "It represented for me everything that is New York City, with a perfect view of the Empire State Building." He added that he enjoys kicking back



with a glass of wine and watching the tail lights as cars stream up Madison Avenue at night.

Mr. Kim paid \$10.25 million for the home in 2015, he said. Real-estate agent Michael Graves of Douglas Elliman is representing Mr. Kim in the sale of his property.

The building has also been home to celebrities such as athlete Tom Brady and his wife, model Gisele Bündchen. The couple recently made a deal to sell their unit, which had been asking almost \$14 million, according to people familiar with the deal.

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Source: WSJ. Insights Mindset of the Luxury Real Estate Buyer, Base: Plan to purchase home in next five years (2,709).

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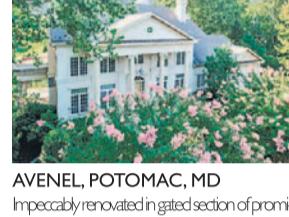
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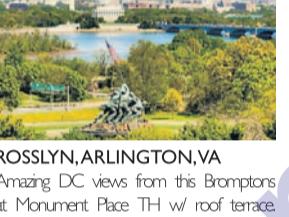
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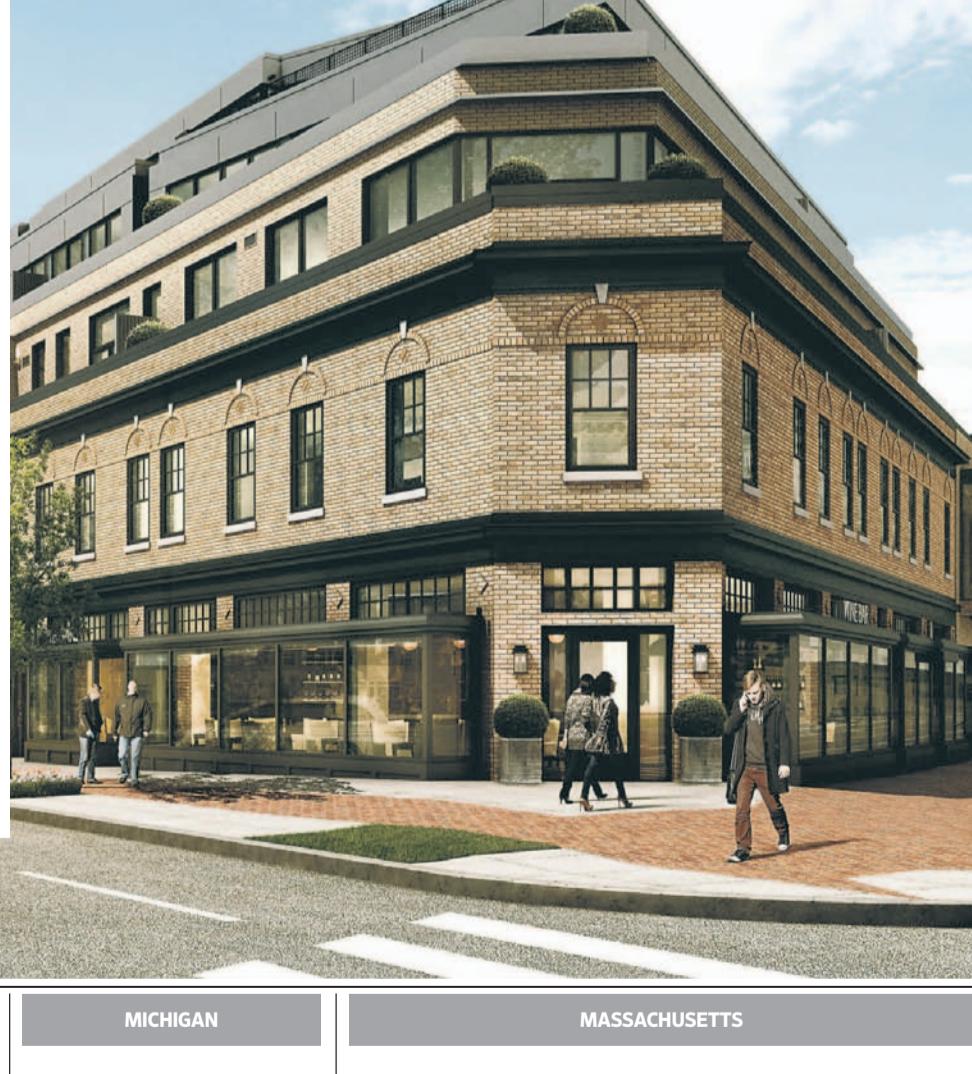
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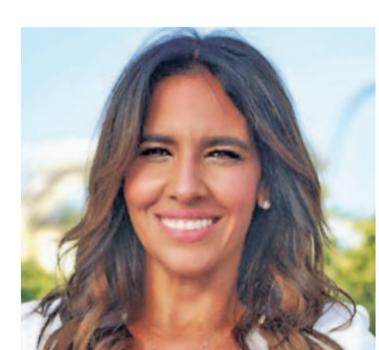
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