

# THE WALL STREET JOURNAL.

DOW JONES | News Corp \*\*\*\*\*

FRIDAY, SEPTEMBER 21, 2018 ~ VOL. CCLXXII NO. 69

WSJ.com

★★★★ \$4.00

DJIA 26656.98 ▲ 251.22 1.0%

NASDAQ 8028.23 ▲ 1.0%

STOXX 600 382.63 ▲ 0.7%

10-YR. TREAS. ▲ 2/32, yield 3.076%

OIL \$70.80 ▼ \$0.32

GOLD \$1,206.20 ▲ \$4.00

EURO \$1.1779

YEN 112.48

## What's News

### Business & Finance

The Dow and S&P 500 set new highs, kindling hopes among some investors that U.S. stocks are on track to top performance expectations for 2018. The blue-chip index rose 251.22 points to 26656.98. A1

◆ Google employees in 2017 discussed, but didn't implement, ways to tweak search-related functions to counter Trump's travel ban. A1

◆ Google said that it continues to allow other companies to scan Gmail data. A4

◆ The EU is ramping up pressure on Facebook to better spell out how consumers' data is being used. B4

◆ OPEC and its Russia-led counterparts will meet this weekend to gauge whether they need to boost oil output amid U.S. sanctions on Iran. B1

◆ Sales of existing homes in the U.S. fell in August from a year earlier, the sixth straight month of declines. A2

◆ Wells Fargo is planning to cut as many as 26,500 jobs over the next three years. B1

◆ U.S. airlines are fighting to keep control of the nearly \$3 billion that people pay annually to change flights. B1

◆ Goldman's stock-trading chief, Paul Russo, is negotiating his exit from the firm. B1

◆ Comcast and Fox will settle their takeover battle for Sky in a weekend auction. B1

◆ Amazon is offering manufacturers Alexa-enabled chips that can be incorporated into household devices. B4

◆ Nestlé is exploring options for its skin-health unit, which analysts say could fetch \$4.1 billion. B6

### World-Wide

◆ The California professor who has accused Kavanaugh of sexually assaulting her when they were teenagers would be willing to testify next week before a Senate panel, her lawyer said. A1

◆ Ex-Trump lawyer Cohen has met multiple times with Mueller's investigators, who have asked him questions about the president. A4

◆ Trump lashed out at Democrats over bipartisan spending bills and demanded that Republicans push for more funding for border security. A4

◆ Pompeo backed continued U.S. military support for Saudi Arabia's war in Yemen over the objections of staff members. A6

◆ The U.S. imposed sanctions against a key Chinese military-research unit for two Russian arms deals. A3

◆ The White House said it had moved to give the Pentagon more flexibility to launch offensive cyberstrikes. A5

◆ EU leaders rejected Britain's proposal for how to maintain economic relations with the bloc post-Brexit. A7

◆ North Korea is open to allowing outside inspections of a nuclear-weapons testing site it closed in May, Moon said. A8

◆ A year after Maria, Puerto Rico is still struggling to recover from its worst storm in nearly a century. A3

◆ River levels and the death toll continue to rise a week after Florence made landfall. A3

◆ Teenage use of e-cigarettes has soared this year, according to new research. A5

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# U.S. NEWS

## Maryland Shooter Kills Three People, Then Herself



SCOTT SERIO/EPA/SHUTTERSTOCK

ABERDEEN, Md.—A shooting at a Maryland warehouse claimed four lives Thursday, including a female suspect who shot herself in the head, authorities said. Several other people were wounded.

The suspect was a 26-year-old temporary employee at the

Rite Aid distribution center in northeastern Maryland, Harford County Sheriff Jeffrey Gahler told a news conference.

She had been taken into custody in critical condition that morning. Sheriff Gahler later identified her as Snobia Mosley of Baltimore County.

Three other wounded people were being treated at a hospital.

It appears only one weapon, a handgun, was used and no shots were fired by responding law enforcement officers, seen above, Sheriff Gahler said.

He said the call about shots fired came in from the Rite Aid

distribution center at about 9:06 a.m. and deputies and other officers were on the scene in just over five minutes.

In a tweet, Maryland Gov. Larry Hogan said the state stands ready to offer any support.

—Associated Press

## U.S. WATCH

### ECONOMIC DATA

#### Jobless Claims Fall To 49-Year Low

The number of Americans filing applications for new unemployment benefits fell to a new 49-year low for the third straight week, though Hurricane Florence's effect on the jobs market remains unclear.

Initial jobless claims, a proxy for layoffs across the U.S., fell by 3,000 to a seasonally adjusted 201,000 in the week ended Sept. 15, the Labor Department said Thursday. It was the lowest level since December 1969, and less than the 210,000 claims economists surveyed by The Wall Street Journal expected.

However, it is possible that jobless claims were somewhat depressed because those who lost their jobs due to the storm were unable to file for benefits last week.

—Eric Morath

### HOUSEHOLD WEALTH

#### Americans' Net Worth Rises

The total net worth of U.S. households rose further into record territory in the second quarter, propelled by climbing home values and stock prices.

Household net worth—the value of all assets such as stocks and real estate minus liabilities like mortgages and credit-card debt—rose by nearly \$2.2 trillion in the second quarter to a record \$10.6929 trillion, according to a report by the Federal Reserve on Thursday. That marked a 2.1% increase from the first quarter and the 11th straight quarter of rising U.S. wealth.

The figures are from a quarterly report known as the Flow of Funds, which tracks the aggregate wealth of all U.S. households and nonprofit organizations. The report provides no

details of how that wealth is distributed between households. The figures aren't adjusted for inflation.

—Harriet Torry

### KOREAN WAR REMAINS

#### Trump IDs Two Recovered Soldiers

President Trump on Thursday announced the names of the first two service members identified from the war remains returned by North Korea to the U.S. after a June summit meeting in Singapore. In a Twitter message, Mr. Trump identified the service members as Army Master Sgt. Charles H. McDaniel, 32 years old, of Vernon, Ind., and Army Pfc. William H. Jones, 19, of Nash County, N.C.

U.S. military officials said they were killed in 1950 as part of the Battle of Unsan.

"These HEROES are home, they may Rest In Peace, and

hopefully their families can have closure," Mr. Trump tweeted.

—Nancy A. Youssef

### FLORIDA

#### Student Pilot Charged With Theft Attempt

A 22-year-old student pilot suspected of boarding a vacant passenger plane at a central Florida airport early Thursday has been charged with criminal attempt to steal an airplane, officials said.

The Joint Terrorism Task Force is investigating and trying to determine a motive in the case, according to Orlando-Melbourne International Airport spokeswoman Lori Booker. She told news outlets the student pilot, identified as Florida Institute of Technology student Nishal Sankat, also faces a visa violation and criminal trespassing charges.

—Associated Press

## Moving Up

The Dow industrials set a new high Thursday, topping January's record.

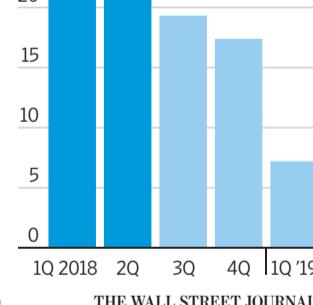
### Dow Jones Industrial Average



Sources: SIX (DJI); FactSet (earnings growth)

Corporate profits are projected to grow in the double digits for the next two quarters.

### Earnings growth, change from a year earlier



THE WALL STREET JOURNAL.

Continued from Page One and money managers said. Even with the unemployment rate at its lowest level in nearly two decades and economic output growing at the fastest rate since 2014, the economic outlook got rosier Thursday: Initial jobless claims, a proxy for layoffs across the U.S., fell to the lowest level since 1969, the Labor Department said.

"The good economic news has put us into a bit of a momentum streak," said Larry Peruzzi, managing director of international equity trading at Mischler Financial Group. "And with bond yields going higher, people are willing to take more risk and put more money into the equity side."

The Dow industrials jumped 251.22 points, or 1%, to 26,656.98. The S&P 500 added 22.80 points, or 0.8%, to 2930.75 and the Nasdaq Composite gained 78.19 points, or 1%, to 8028.23.

Analysts credit the boom in U.S. growth to the tax overhaul passed last year. The changes, which included a cut to the corporate tax rate, sent profits sharply higher through the first two quarters of the year, and analysts expect third-quarter earnings to be robust as well.

S&P 500 companies are projected to boost profits by 19% from a year earlier in the third quarter, according to FactSet, after posting growth

rates of 25% for each of the first two quarters of the year.

The expectation for strong profits helped drive 10 of the 11 major S&P 500 sectors higher Thursday, with shares of technology companies at the forefront. The tech sector, which includes some of the fastest-growing companies in the stock market but has stumbled lately due to concerns of new regulations, added 1.3%, cutting the sector's losses this month to 0.9%.

The gains were just as broad in the Dow, with 28 of its 30 components closing higher. Trade-sensitive stocks including Caterpillar and Boeing led the blue-chip index, contributing about 37 points to the Dow's rise. Shares of Caterpillar added \$3.24, or 2.1%, to \$156, while Boeing gained 2.24, or 0.6%, to 367.46.

Home Depot and Chevron were the only two stocks in the Dow to close lower. The retailer shed 62 cents, or 0.3%, to 211.06, while Chevron slid 9

cents, or less than 0.1%, to 119.42.

The blue-chip index is the last of the big U.S. benchmarks to eclipse its January record. Major indexes slumped into correction territory in early February and have slowly churned higher to top their previous highs.

While the strong economic growth has stoked stocks, bond prices have stumbled, sending yields higher. The 10-year yield, which sits at 3.076%, has climbed 0.222 percentage point in the past month and is on track to rise for a fourth consecutive week. September's jump in yields is the biggest since January. The two-year Treasury yield, meanwhile, rose to 2.807%, the highest since June 2008.

Investors increasingly expect quickening growth to give the Fed sufficient reason to continue with its quarterly pace of interest-rate increases through the first half of next year.

The market currently esti-

mates a 94% chance of a rate rise at the Fed's meeting next week, according to Fed-fund futures tracked by CME Group.

Meanwhile, the U.S. dollar fell to its lowest level in more than two months, another sign that investors expect the U.S. to avoid a trade war. The WSJ Dollar Index, which measures the U.S. currency against a basket of 16 others, dropped 0.4% to 88.82, its lowest level since early August. The measure is off more than 2% from last month's highs.

A weaker dollar eases pressure on multinational corporations because it makes products cheaper to sell abroad, while boosting the value of overseas earnings that are converted back to U.S. dollars. It also could offer some relief to struggling emerging-market countries that service their debt in U.S. dollars. The WSJ Dollar Index is up 3.3% this year.

Still, trade tensions continue to linger in the background and have the potential to knock stocks off their highs if the U.S., China or other countries ratchet up their tactics, analysts said. So far, investors are optimistic that trade tensions will eventually cool.

"I would keep a close eye on the trade negotiations with Canada and more important with China," said Chris Zaccarelli, chief investment officer of Independent Advisor Alliance, a \$3 billion wealth-management firm. "I don't think we can blow the all-clear sign until steps are in place to resolve trade concerns with China, which are now more of a threat than ever."

—Daniel Kruger,  
Ira Iosebashvili  
and Georgi Kantchev  
contributed to this article.

## U.S. Home Sales Fell in August

BY LAURA KUSISTO  
AND SHARON NUNN

U.S. home sales stalled in August, highlighting a growing disconnect between the sluggish housing market and the strong economy that is powering stocks to new highs.

Existing home sales fell in August from a year earlier, the sixth straight month of declines. Sales of previously owned homes fell 1.5% to a seasonally adjusted annual rate of 5.34 million homes, the National Association of Realtors reported Thursday. Sales were flat compared with July's pace.

Economists said that low inventory, rising home prices and higher mortgage rates continue to pressure the housing market.

Lackluster home sales stand in sharp contrast to the booming stock market. The Dow Jones Industrial Average and the S&P 500 both hit records Thursday as expectations of strong corporate profits and continued economic growth offset lingering investor concerns about the trade dispute between the U.S. and China.

A strong economy typically boosts demand for housing, too, putting more money in consumers' pockets and giving them confidence to make what for many will be the largest purchase of their lives.

Yet 78 straight months of annual home price gains coupled with rising mortgage rates have made homes less affordable. That has prompted some would-be first-time buyers to continue renting, and made existing owners reluctant to sell if it means trading up for a much more expensive home at a higher mortgage rate.

"Consumer confidence may be near record levels, but no one appears confident enough to sell their home either to trade up to something bigger for a growing family or to downsize as the baby-boom generation hits retirement age," said Chris Rupkey, chief financial economist at MUFG.

The median sale price for an existing home in August was \$264,800, up 4.6% from a year earlier. Meanwhile, mortgage rates climbed back near the seven-year high they hit in May, with rates for a 30-year mortgage now averaging 4.65% this week, up from 4.6% a week earlier. Freddie Mac said Thursday.

The upper end of the housing market—where many buyers have benefited from the

stock market's gains—remains strong, with nearly 12% growth in single-family home sales over \$1 million and nearly 9% growth in sales from \$750,000 to \$1 million. In contrast, sales of single-family homes priced below \$100,000 fell about 12%, and sales from \$100,000 to \$250,000 fell roughly 2%, according to NAR.

Lawrence Yun, the trade group's chief economist, said the strongest demand their realtors are indicating is "in the lower price points, but sales are down because of lack of inventory."

Economists have blamed a lack of inventory for the slowing market, but growing inventory levels and moderating price gains suggest demand is also tapering. The supply of existing homes in the U.S. increased 2.7% in August from a year earlier, the first rise in inventory on an annual basis in more than three years, according to NAR.

Pricier markets on the West Coast have seen even more

### Take Your Pick

Homes available for sale, change from a year earlier



Source: National Association of Realtors via Haver Analytics

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dramatic growth in supply. In Seattle, inventory grew 30% in August from a year earlier, while Portland, Los Angeles and the Bay Area have all also seen near-double-digit increases in inventory, according to Ruben Gonzalez, chief economist for real-estate brokerage Keller Williams.

NAR's Mr. Yun said the moderating prices and increase in supply are healthy developments for the market because they could help lure buyers back from the sidelines.

Mr. Gonzalez said inventory has increased but still not enough to boost sales.

## CORRECTIONS & AMPLIFICATIONS

### The Diocese of Brooklyn

amended a statement released Tuesday to say that it "highly contested its role in the sexual abuse of four preadolescent boys." In some editions Wednesday, a U.S. News article about a multimillion-dollar settlement with sex-abuse victims used the diocese's original statement, which referred to "four adolescents."

### A photo

accompanying a U.S. News article Tuesday about the trial of a Chicago police officer charged with murder showed a demonstrator holding an American flag containing names of people who have died, many but not all at the hands of police. The article incorrectly said the names on the flag were of people fatally wounded by police officers.

The Handy & Harman base price for gold on Tuesday was \$1200.20 a troy ounce. The Cash Prices table on Wednesday incorrectly said it was \$12,274.

\$1200.00. Also, the Chicago bleachable tallow price on Monday was \$0.2525. Tuesday's Cash Prices table incorrectly said it was \$0.2600.

Israel considers Jerusalem to be its capital, but most countries' embassies are housed in Tel Aviv. A World News article Monday about an Israeli missile strike at an airport in Syria used Tel Aviv as synonymous for Israel.

U.S. Customs and Border Protection Commissioner Kevin McAleenan said 12,774 people traveling as part of families were arrested in August after crossing the border illegally. A U.S. News article Sept. 13 about an increase in border-crossing arrests incorrectly said 12,274.

The oven temperature for "Shake & Bake Chicken with Hot Honey" is 425 degrees. A recipe in an Off Duty article Saturday about Chrissy Teigen omitted the oven temperature.

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

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## U.S. NEWS

# Puerto Rico Recovery Has Long Way to Go

A year after Maria, residents confront hard choice of whether to stay or join exodus

BY ARIAN CAMPO-FLORES  
AND ANDREW SCURRIA

OROCOVIS, Puerto Rico—A year after Hurricane Maria tore through here, this mountain town is still dotted with boarded-up businesses, including El Navideño, a restaurant strung year-round with Christmas lights.

Some abandoned homes lie in ruin. Others are covered in blue tarps serving as temporary roofs. The lush landscape surrounding this town of 21,000 people is interspersed with idle farmland.

"It has been agonizing," said Luis Rubero Peña, 59 years old, a farmer who lost more than 50 acres of plantains, yuca and other crops and is only beginning to harvest again. "Many farmers won't continue. I'll keep going as long as I can."

Maria was the worst storm to hit the island in nearly a century, with about 3,000 people dying in its wake, according to a study commissioned by the Puerto Rican government.

It also pushed the U.S. commonwealth—already on a fragile economic footing—closer to the edge. Thousands of small businesses have shut. Some big businesses are leaving and the exodus of the young, productive population has accelerated.

In the year ended June, Puerto Rico's economy contracted by 7.6%, according to the latest fiscal plan prepared for the federal board overseeing the island's finances. The board was put in place after a recession that began more than a decade ago pushed the island into a debt restructuring akin to bankruptcy.

Some people who stayed are having second thoughts. Héctor Rosario, who lives in this town in the center of the island, isn't sure his restaurant, Sorbo's, will survive. Sales are off by about half, five employees left to seek work elsewhere, and his customer base keeps shrinking with the population loss.

He and his wife, who just gave birth to their first child, are thinking about heading to the U.S. mainland to build a new life. Some relatives relocated to Pennsylvania after the storm.

"If we leave, we aggravate the situation," said Mr. Rosario, 33. "We're fighters, and we have to give it time."

The island is facing a test that could determine whether it can reverse its accelerating spiral downward. Over the next several years, Puerto Rico is poised to receive tens of billions of dollars of federal funding to aid its recovery.

Spent wisely, the infusion could stimulate the economy and spur long-term growth. Squandered, it could provide just a fleeting jolt that fails to stem the island's decline, worsening its ability to pay more than \$120 billion it owes to bondholders and retirees.



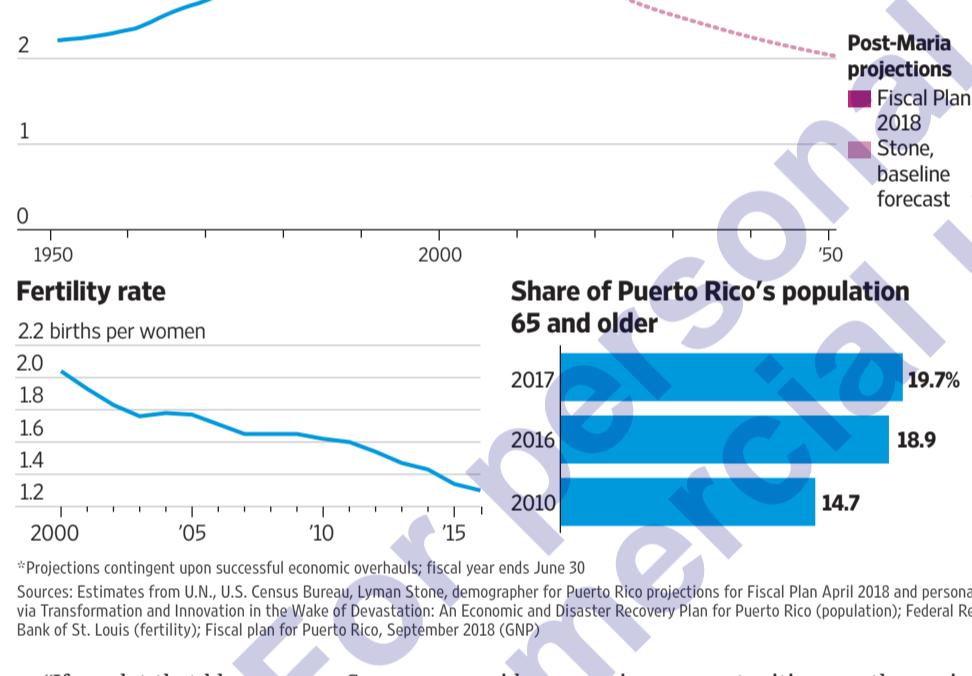
JOSE JIMENEZ FOR THE WALL STREET JOURNAL

Two men tend to a garden in Orocovis, Puerto Rico, in front of a house that was destroyed by Hurricane Maria one year ago.

## Darkening Outlook

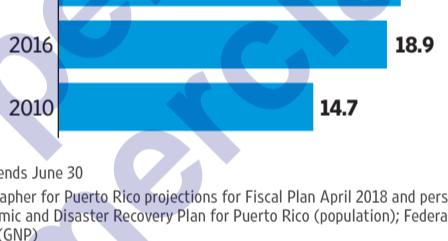
Puerto Rico's population is projected to plummet as residents depart, age, have fewer babies, and as economic growth tapers.

### Puerto Rico's population

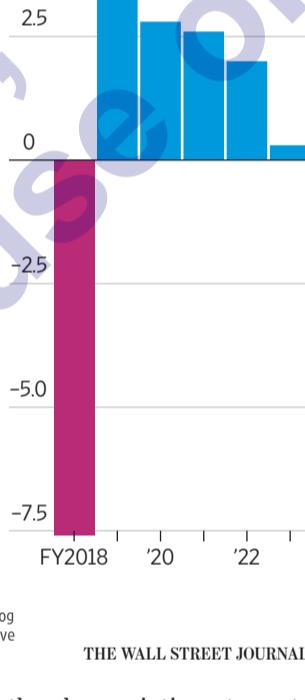


\*Projections contingent upon successful economic overhauls; fiscal year ends June 30

Sources: Estimates from U.N., U.S. Census Bureau, Lyman Stone, demographer for Puerto Rico projections for Fiscal Plan April 2018 and personal blog via Transformation and Innovation in the Wake of Devastation: An Economic and Disaster Recovery Plan for Puerto Rico (population); Federal Reserve Bank of St. Louis (fertility); Fiscal plan for Puerto Rico, September 2018 (GNP)



### Projected real GNP growth\*



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opportunities on the mainland.

The signs of malaise are visible along Avenida Jesús T. Piñero in San Juan, where shuttered storefronts pock the commercial stretch amid

*"If we leave, we aggravate the situation," said a 33-year-old resident.*

"For Rent" signs and the faded lettering of former businesses.

Iris Monsanto, who owns bike store Locos Por Las Bicicletas with her husband, stood on the curb in front of

the shop pointing at empty establishments and recalling the businesses they used to house: a window store, a barbershop, a gym. Eight to 12 businesses closed just on that block, she said.

Ms. Monsanto, 30, is contemplating her family's future. The couple's 1-year-old daughter was born two days before Hurricane Irma and spent her first months engulfed in blackouts and hardship. Their 7-year-old son has had two successive schools closed because of declining student enrollment and entered his third school this fall.

"Why do you send me there if they are just going to close it?" she says he asked.

The couple put 10 years of savings into opening their shop last year before the hur-

ricane. Since the storm, sales have declined 90% and revenue isn't enough to cover costs. They say they will have to decide in the coming months whether to give up and shut down.

"We've taken so many blows," Ms. Monsanto said, tearing up. She would like to stay in Puerto Rico to help care for her father, but the couple sometimes weighs whether to head to the U.S. mainland.

An estimated 8,000 small businesses remain closed, or about 10% of the total, says Jorge Argüelles-Morán, president of the United Retailers Association. Many establishments are still awaiting payouts from insurance policies, or lacked coverage, he says.

The island's bigger businesses also are reassessing. Maria's devastation of the power grid and the business interruption it caused could weigh on companies as they decide whether to move operations off the island.

In January, Israeli drugmaker Teva Pharmaceutical Industries Ltd. announced it would close a manufacturing plant in Manati, cutting about 200 jobs. PepsiCo Inc. said the following month it would close a plant in Cidra, shedding about 200 workers. Both companies said the moves were part of broader restructuring plans and didn't stem from the hurricanes.

A decline in manufacturing accelerated after federal tax incentives expired in 2006. Since then, manufacturing employment has decreased 35%.

In Guayama, a southern coastal city of 41,000 people, recovery from the hurricane has been inconsistent. Supermercado Plaza, a large supermarket with a warehouse, never reopened after Maria and lies in a heap of rubble.

However, the pharmaceutical plants are humming. Many businesses, from chains like Marshalls and Kmart to small restaurants and clothing boutiques, have reopened. At El Rey de las Puertas y Ventanas, which builds doors and windows, business has been booming as residents rebuild homes, according to owner Marta Torres Vázquez.

Some local employers, including a health-care company and an agricultural firm, are hiring, says Joaquín Santiago from the local workforce development agency. Wages are entry-level positions paying the federal minimum of \$7.25 an hour.

At the agency's office in Guayama, Raúl Ortiz Ramos, 24, arrived one recent afternoon looking for work. He said he lost a job doing municipal repair work three years ago and has been trying unsuccessfully to find a new position ever since. Unemployment on the island was at 9.1% in July.

He estimated that about 20 friends and relatives have moved to the U.S. since the storm. If he doesn't find a job by the end of the year, he plans to move to Orlando, Fla.

"It has been really difficult, very stressful," says Mr. Ortiz Ramos.

# In the Carolinas, Rivers Keep Rising

BY JON KAMP

A week after Hurricane Florence made landfall along the North Carolina coast, river levels and the storm's death toll continue to rise.

At least 41 deaths have been linked to the storm and its long-lasting floodwaters, including 31 in North Carolina, according to authorities.

Some riverside communities along the border of the Carolinas are facing yet more flooding. The combination of record-setting rainfall plus the flat terrain means the water is draining away very slowly.

In some areas, rivers have yet to crest. Conway, S.C., a small city northwest of Myrtle Beach visited by President Trump on Wednesday, may not see the Waccamaw River crest until Tuesday or Wednesday, according to the National Weather Service.

The river there is expected to break the current high-water record on Saturday, but keep rising slowly for days, said Steve Pfaff, a meteorolo-



A helicopter surveys an area of Lumberton, N.C., submerged in floodwaters. A combination of record-setting rainfall and flat terrain is causing the water in some places to drain away very slowly.

gist in the weather service's Wilmington, N.C., office. The water level will fall slowly, too, he said.

"The terrain is so flat and it's so swampy in some of these places, it just takes a

long time for the flood waves to make it through," Mr. Pfaff said.

Meantime, efforts continue to restore power in the region. By late Thursday, about 93,000 customers in North Carolina

were still offline. Duke Energy Corp., a major utility in the region, said it had restored power to more than 1.6 million customers so far, but "some of our most challenging work remains."

# U.S. Targets China In Sanctions on Russia

BY IAN TALLEY

WASHINGTON—The Trump administration imposed sanctions against a key Chinese military-research unit for two Russian arms deals, widening the scope of targets as it launches a new phase of Washington's escalating sanctions campaign against Moscow.

The U.S. Treasury and State departments, using a new sanctions power mandated by Congress last year to target Moscow's intelligence operations and defense industry, sanctioned China's Equipment Development Department for recent purchases of Sukhoi Su-25 jet fighters and S-400 surface-to-air missiles from Russia.

The sanctions, which prohibit financial and business ties to the Chinese entity, are meant to send a message to other countries considering similar Russia arms deals, potentially curbing an important revenue stream for Moscow and a tool in the Kremlin's dip-

lomatic kit, U.S. officials said.

And while the officials said the sanctions weren't intended to undermine other countries' defense capabilities, Washington's first use of the new power targets a strategic unit of the Chinese military. Li Shangfu, who was also sanctioned as the unit's director, previously oversaw cyber, space and other high-tech warfare for China's army.

In related actions, the State Department also added 33 Russian intelligence and defense agents to its blacklist of security companies and officials, and the White House rolled out an executive order that details penalties it plans to apply in the new phase of its pressure campaign. Among those added to the State Department's blacklist are Russian individuals and companies indicted this year by federal prosecutors for their role in U.S. election interference and firms supporting Moscow's military operations in Syria and Ukraine.

## U.S. NEWS

# Cohen Met With Mueller Investigators

Michael Cohen, President Trump's former lawyer, has met multiple times with special counsel Robert Mueller's investigators, including within the past month, according to people familiar with the matter.

As part of the meetings, in-

*By Rebecca Ballhaus, Nicole Hong and Joe Palazzolo*

vestigators asked Mr. Cohen questions about Mr. Trump, including about the president's business dealings with Russia, one of the people said. Mr. Cohen's lawyer had previously said his client was open to meeting with Mr. Mueller but it wasn't clear the special counsel would want to do so.

Mr. Mueller is investigating whether Trump associates colluded with Russia's efforts to interfere in the 2016 U.S. election. Mr. Trump has denied collusion and decried the investigation as a "witch hunt," and Moscow has denied interfering. Mr. Trump has said he would consider a move by Mr.

Mueller to investigate his business dealings a red line, telling the New York Times last year: "I think that's a violation."

Lanny Davis, an attorney for Mr. Cohen, later Thursday praised his client for "providing critical information to the #muellerinvestigation without a cooperation agreement." He added: "No one should question his honesty, veracity or loyalty to his #family and #country over @potus @realDonaldTrump."

Another lawyer for Mr. Cohen, Guy Petrillo, didn't respond to requests for comment. The meetings were first reported by ABC News.

Last month, Mr. Cohen told a federal judge in Manhattan that the president had directed him during the 2016 campaign to buy the silence of two women who said they had affairs with Mr. Trump. He made the statement as he pleaded guilty to eight criminal charges, including campaign-finance violations. Mr. Trump has denied having affairs with the two women.

## Trump Vents Over Lack of Funding for Wall



ALEX BRANDON/ASSOCIATED PRESS

President Trump lashed out at Democrats on Thursday over the bipartisan spending bills making their way through Congress, and demanded that Republicans do more to ensure greater funding for border security, particularly for his proposed wall with Mexico.

"I want to know, where is the money for Border Security and the WALL in this ridiculous

Spending Bill, and where will it come from after the Midterms? Dems are obstructing Law Enforcement and Border Security," he said in a tweet on Thursday.

The comments came two days after the Senate passed an appropriations package, the second grouping of spending bills, called a "minibus," passed this month.

The House is expected to take it up next week, a GOP aide said.

The bill aims to boost spending for the next fiscal year for the Defense Department, medical research and the opioid crisis, and it funded other departments through Dec. 7 to avoid a government shutdown before the midterm elections.

Democrats stood by the bill. "If President Trump wants to throw a temper tantrum by vetoing this bill, blocking pay for

our troops, and shutting down the federal government, that is up to him," said Rep. Nita Lowey (D, N.Y.), the top Democrat on the House Appropriations panel.

Republicans expect Mr. Trump to sign the bill, which will come to his desk days before the Oct. 1 funding deadline and avoid a shutdown.

—*Vivian Salama and Natalie Andrews*

# Apps Can Scan, Share Data From Gmail Accounts

BY JOHN D. MCKINNON  
AND DOUGLAS MACMILLAN

WASHINGTON—Google said it continues to allow other companies to scan and share data from Gmail accounts, a disclosure that comes as lawmakers on Capitol Hill are putting pressure on technology companies to improve privacy protections and stop potential misuse of users' data.

In a letter to senators, a top Google official said the company, a unit of Alphabet Inc., allows app developers to scan Gmail accounts, even though Google itself stopped the practice for the purpose of ad targeting last year.

Using software tools provided by Gmail and other email services, outside app developers can access information about what products people buy, where they travel and which friends and colleagues they interact with the most. In some cases, employees at these app companies have read people's emails to improve their software algorithms.

Google also disclosed that app developers generally are free to share the data with others if their privacy policies adequately disclose possible uses.

"Developers may share data with third parties so long as



JEFF CHIU/ASSOCIATED PRESS

they are transparent with the users about how they are using the data," Susan Molinari, the company's vice president for public policy and government affairs for the Americas, wrote in the letter to lawmakers. She added that Google makes sure the relevant privacy policy is

"easily accessible to users to review before deciding whether to grant access."

A copy of the letter, which was received by lawmakers in July but not released at the time, was reviewed this week by The Wall Street Journal.

Google's letter came in re-

sponse to written questions from several lawmakers, including Senate Commerce Committee Chairman John Thune (R, S.D.), following a Journal report detailing how app developers frequently gain access to the contents of users' Gmail accounts.

A bipartisan group of senators wrote to Commerce Secretary Wilbur Ross on Thursday, saying that recent revelations about the misuse of data "demonstrate how little we know about who has access to consumers' private information and how that data is used." The letter called for "a national privacy framework" to be enacted by Congress in consultation with the administration. Mr. Ross's department is reviewing privacy proposals now.

The letter was signed by GOP Sens. Jerry Moran of Kansas and Roger Wicker of Mississippi, as well as by Sens. Richard Blumenthal of Connecticut and Brian Schatz of Hawaii, who are chairmen and ranking Democrats of Commerce subcommittees.

Google's letter likely will provide fodder for what could be a contentious Commerce Committee hearing Wednesday on data privacy practices at Google and other internet platforms, as well as some telecommunications firms.

In the letter, the company outlined the steps it takes to vet third-party email apps, including manually reviewing privacy policies and using computer tools to detect any significant changes to the be-

havior of the apps.

Google's policies don't prohibit developers from having their employees read emails as long as that practice is relevant to the functioning of their apps and disclosed to users.

Google's own employees read emails only "in very specific cases where you ask us to and give consent, or where we need to for security purposes, such as investigating a bug or abuse," the company wrote in its letter to Congress.

A Google spokesman said the company has no comment beyond the letter.

Lawmakers have expressed concerns about tech giants including Google, Facebook Inc. and Twitter Inc. on a range of issues such as privacy and manipulation of online content by foreign actors.

In particular, Facebook has come in for tough criticism following disclosures that data of millions of its users found its way to Cambridge Analytica, a data firm that worked for President Trump's 2016 campaign.

The latest disclosure shows that "the privacy policy model is simply broken beyond repair," said Marc Rotenberg, president of the Electronic Privacy Information Center, a nonprofit research group.

to "actively counter" Google searches that produced anti-Islamic and anti-Hispanic search results. Others centered on Highlights, the code name for an experimental project Google has tested that allows influential people, like politicians and musicians, to post text updates that appear directly in search results.

The list of ideas included: "Actively counter Islamophobic, algorithmically biased search results from search terms 'Islam', 'Muslim', 'Iran', etc."

"Actively counter prejudiced, algorithmically biased search results from search terms 'Mexico', 'Hispanic', 'Latino', etc."

"Can we launch an ephemeral experience that includes Highlights, up-to-date info from the US State Dept., DHS, links to donate to ACLU, etc?"

Several officials responded favorably to the overall idea. "We're absolutely in... Anything you need," one wrote.

But a public-affairs executive wrote: "Very much in favor of Google stepping up, but just have a few questions on this," including "how partisan we want to be on this."

"To the extent of my knowledge, we'd be breaching precedent if we only gave Highlights access to organizations that support a certain view of the world in a time of political conflict," the public-affairs executive said. "Is that accurate? If so, would we be willing to open access to highlights to [organizations] that... actually support the ban?"

## Google Eyed Check on Travel Ban

Continued from Page One  
well as President Trump himself, in the run-up to the 2018 midterm elections.

Next week Attorney General Jeff Sessions is scheduled to meet with some state attorneys general to discuss concerns of anticonservative bias. Conservatives recently expressed anger after Breitbart News released a video of a 2016 company meeting in which Google senior managers lamented Mr. Trump's election victory. Google said the comments from executives in the video expressed the personal beliefs of those executives, not the company's.

Mr. Trump's original travel ban, implemented to restrict immigration from countries deemed a security risk, temporarily barred visitors and immigrants from seven majority-Muslim countries, and placed new limits on the U.S. refugee program. It sparked huge protests and chaos at many U.S. airports. It was challenged in court and, after several revisions, was upheld by the U.S. Supreme Court.

Google joined nearly 100 technology companies, including Apple Inc. and Facebook Inc., in filing a joint amicus brief in February 2017 challenging Mr. Trump's travel ban. "The order inflicts significant harm on American business, innovation, and growth," the companies said in the brief.



CHRISTOPHER DERNBACH/DPA/ZUMA PRESS

Technology giant Google's headquarters in Mountain View, Calif.

lenging Mr. Trump's travel ban. "The order inflicts significant harm on American business, innovation, and growth," the companies said in the brief.

Google co-founder Sergey Brin, who emigrated from the Soviet Union as a child, appeared at a rally protesting the travel ban outside San Francisco's airport.

The email conversation on the issue included several cautionary comments. "This is a highly political issue, so we need to remain fair and balanced and present facts," one executive wrote, in response to proposals to tweak search-related functions.

The Google emails were written on Sunday, Jan. 29, two days after Mr. Trump signed the first version of his

travel order, which generally restricted immigration to the U.S. from several majority-Muslim countries.

One of the emails, from an employee of the Search Product Marketing division, explained that there was a "large brainstorm" going throughout the company's marketing division over how to respond.

"Overall idea: Leverage search to highlight important organizations to donate to, current news, etc. to keep people abreast of how they can help as well as the resources available for immigrations [sic] or people traveling," the email says.

The email included a compilation of specific ideas that individual company officials had already floated. Some apparently involved finding ways

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## U.S. NEWS

# Cyberattack Rules Reversed

By DUSTIN VOLZ

The White House said Thursday it had rescinded a classified Obama-era memorandum dictating when the U.S. government can deploy cyber weaponry against its adversaries, publicly acknowledging the move for the first time.

John Bolton, President Trump's national security adviser, confirmed during a press briefing that the old rules had been replaced by new classified guidance intended to empower the Defense Department with more flexibility to launch offensive cyberstrikes without first needing to vet those decisions through an elaborate interagency process.

"Our presidential directive effectively reversed those restraints, effectively enabling offensive cyber operations through the relevant departments," Mr. Bolton said. "Our hands are not tied as they were in the Obama administration."

The Wall Street Journal, cit-

ing people familiar with the action, first reported last month that Mr. Trump had scrapped and replaced the Obama administration directive.

Mr. Bolton didn't provide specifics about what is included in the new set of rules, which remain classified, but described them as "very different" from the Obama-era guidance, which was known as Presidential Policy Directive 20. Mr. Trump's new directive is titled National Security Presidential Memorandum 13, according to people familiar with it.

Officials have provided few details of Mr. Trump's new cyberwar order since he signed it last month, but the issue has drawn interest from lawmakers in both parties.

Acknowledgment of the new directive came as the White House unveiled its first national cybersecurity strategy on Thursday in an attempt to establish a governmentwide approach to defending U.S. computer networks, including critical infrastructure like the energy grid, from hackers.

## Use of E-Cigarettes Rises Sharply Among Teenagers

By BETSY MCKAY  
AND JENNIFER MALONEY

Teenage use of e-cigarettes has soared this year, according to new research conducted in 2018 that suggests fast-changing youth habits will pose a challenge for public-health officials, schools and parents.

The number of high-school students who used e-cigarettes in the past 30 days has risen roughly 75% since last year, according to a person who has seen new preliminary federal data.

That would equate to about three million, or about 20% of high-school students, up from

1.73 million, or 11.7% in the most recently published federal numbers from 2017.

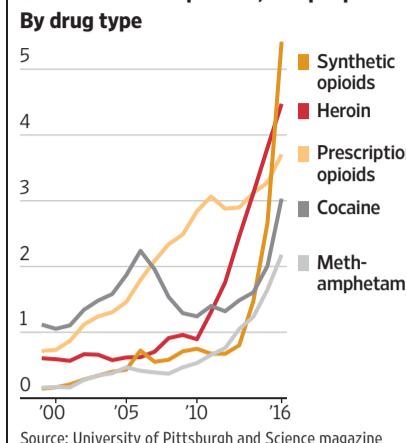
Nearly a third of 13- to 18-year-olds who responded to a separate survey conducted by The Wall Street Journal with research firm Mercury Analytics said they currently vape.

The new numbers offer a rare look at evolving teen vaping habits. Sales of e-cigarettes are expected to nearly double this year, compared with 2017, and researchers have wondered how much of that increase is because of teen use. But there can be a long lag time between the collection of data and public reports.

### Anatomy of a Drug Crisis

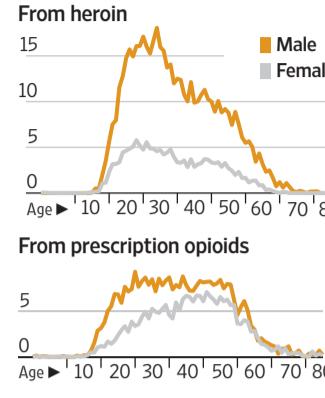
Heroin and other opioids have contributed to a rapid rise in drug deaths. Among men, heroin overdoses are more common at younger ages, while women die from prescription opioids at greater rates as they age. The age at which blacks die from cocaine is rising.

#### Overdose deaths per 100,000 people

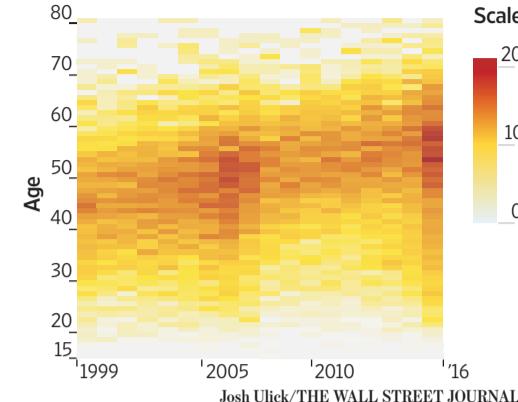


Source: University of Pittsburgh and Science magazine

#### By gender and age, 2016



#### From cocaine among blacks, by age, over time



Josh Ulick/THE WALL STREET JOURNAL.

## Opioids Not Only Culprit in Overdoses

By BETSY MCKAY

It isn't just opioids behind a surge in deaths from drug overdoses in the U.S.

Death rates from overdoses have been on an exponential growth curve for nearly 40 years, involving methamphetamines, cocaine and other drugs in shifting patterns around the country and involving different age groups, a new analysis of federal data shows.

When use of one drug has declined, another has moved in to fill the void, researchers at the University of Pittsburgh Graduate School of Public Health found in the analysis, published on Thursday in the journal *Science*.

Hot spots of deaths from one drug appear in one area of the country, then move to another. Middle-aged Americans overdose on different drugs than people in their 20s, the researchers found while analyzing accidental-poisoning deaths from the National Vital Statistics System.

The individual "subepidemics" come together to form a sobering picture of overdose deaths on a sharp upward trajectory.

The complexity behind the trend means that slowing or stopping the curve will require deeper change than just crack-



A heroin user injected herself in Philadelphia in May. Death rates from overdoses have been rising.

ing down on one substance or another, the authors said.

"The dynamic is very complicated," said Hawre Jalal, assistant professor in the department of health policy and management and lead author of the analysis. "It's unlikely it will respond to a specific drug or age category. It will need a much, much more comprehensive intervention."

The growth curve really took off after 1999, the authors note. Doctors prescribed opioid painkillers more widely. New technologies made illicit drugs easier to produce and deliver, said Donald Burke,

dean of the University of Pittsburgh Graduate School of Public Health, and the study's senior author. At the same time, demand for drugs has grown.

Deaths from heroin and synthetic opioids such as fentanyl have surpassed prescription opioids as a cause of overdose death. New prescribing guidelines and restrictions have made those drugs less available, and the illicit fentanyl and other synthetic opioids that have replaced them are extremely potent. At the same time, deaths due to methadone have fallen since 2007, after it was removed

from the preferred drug list by state Medicaid programs. Methadone was prescribed to Medicaid patients for pain management.

Overdose deaths from heroin and prescription opioids varied by gender and age in 2016. The biggest victims of heroin were men in their 20s and 30s. Men were also the most common victims of prescription opioids, in middle age as well as young adulthood. Middle-aged women are heavily affected, too: Their death rates from prescription opioids approach those of men in their late 50s.

## Accuser In Talks To Testify

Continued from Page One  
Kavanaugh to testify first. Her camp is also pushing to hold the hearing on Thursday, according to congressional aides.

The conversations are expected to continue, the aides said. Ms. Katz canceled two planned television appearances Thursday night, citing the effort to make progress with the committee.

A spokesman for committee Chairman Chuck Grassley (R., Iowa) issued a statement later saying Mr. Grassley would confer with other senators about the hearing. "He remains committed to providing a fair forum for both Dr. Ford and Judge Kavanaugh," the statement said.

The Palo Alto University psychology professor has alleged that at a high-school party in the 1980s, Judge Kavanaugh groped her and tried to remove her clothes after he and a friend pulled her into a room. Judge Kavanaugh has denied the allegation.

Sen. Grassley had scheduled a hearing Monday and invited both Dr. Ford and Judge Kavanaugh to testify. Late Thursday, Judge Kavanaugh sent a letter to Mr. Grassley formally accepting an invitation to appear at the hearing.

"From the moment I first heard this allegation, I have categorically and unequivocally denied it," Judge Kavanaugh wrote in the letter.

President Trump on Thursday said in an interview with Sean Hannity of Fox News that he didn't believe the confirmation proceedings should be delayed any longer. But he added, "Let her have her say and let's see how it all works out."

Democrats said an FBI investigation was needed to provide a neutral set of facts and that additional witnesses should testify. GOP lawmakers said that was unnecessary, noting that the FBI had already investigated at length.

Meanwhile, Democrats continued on Thursday to cite Dr. Ford's request for an FBI investi-

### A Nominee in the Spotlight

Brett Kavanaugh is the only recent Supreme Court nominee to draw more public opposition than support.

#### Do you support or oppose Brett Kavanaugh's appointment to the U.S. Supreme Court?

	Support	Do not know	Oppose
Aug.	33%	37%	29%
Sept.	34	28	38

#### Net support for appointment to the U.S. Supreme Court

	+18 pct. pts.
Roberts*	+18
Sotomayor	+14
Gorsuch	+12
Alito	+12
Miers†	+6
Kagan	+6
Kavanaugh	-4

\*For chief justice

†Nomination was withdrawn

Source: WSJ/NBC News telephone poll most recently of 737 registered voters conducted Sept. 16-19; margin of error +/- 3.61 pct. pts.

THE WALL STREET JOURNAL.

tigation as an indication she was confident the facts would support her assertions.

"Who is not asking the FBI to investigate these claims? The White House," said Sen. Kirsten Gillibrand (D., N.Y.). "Judge Kavanaugh has not asked to have the FBI to review these claims. Is that the reaction of an innocent person? It is not."

The FBI could reopen its

A public appearance by Dr. Ford could change the political calculus for both parties.

background investigation of Judge Kavanaugh, but it would be up to President Trump, a Republican, to direct them to do so. He has dismissed the idea, saying it is unnecessary given that the judge has undergone previous background checks.

Ms. Gillibrand and Sen. Mazie Hirono (D., Hawaii) said they had received a letter Thursday from more than 1,000 alumnae of Holton-Arms School, from which Dr. Ford graduated in 1984, supporting Dr. Ford.

A public appearance by Dr. Ford could change the political calculus for both parties. Aides and strategists from both parties believe her absence would make it easier for Judge Kavanaugh to get confirmed.

Several Republicans have urged her to appear. Sen. Susan Collins (R., Maine), considered a pivotal vote, said earlier this week it would be unfair of Dr. Ford to make these accusations without answering questions under oath.

"There are these very serious allegations hanging over the head of a nominee who has emphatically denied them," Ms. Collins told a Maine radio show Wednesday.

In her email Thursday, Ms. Katz wrote that Dr. Ford and her family have relocated from their northern California home amid the death threats and online intimidation.

Judge Kavanaugh's wife, Ashley Estes Kavanaugh, also has faced threats, which are being investigated by the U.S. Marshals Service, a senior administration official said Thursday.

She has received two profane notes on her work email account in recent days, the official said. Both notes, which have been reviewed by The Wall Street Journal, were sent from the same email address. One of the notes to Mrs. Kavanaugh, a town manager in the suburbs of Washington, D.C., reads, "May you, your husband and your kids burn in hell." The other, whose subject line reads, "Hi, Ashley," says she should tell her husband to "put a bullet in his...skull."

One person close to the confirmation process said that while Mrs. Kavanaugh is upset by the attacks on her husband, she doesn't want him to withdraw. Judge Kavanaugh himself hasn't considered withdrawing, according to a person familiar with his thinking.

"He's absolutely intending to go forward," this person said, and is determined "to reiterate his strong and categorical denial, to clear his reputation and move forward in the process."

Republicans have an advantage of 11-10 on the Judiciary Committee and 51-49 in the full Senate, meaning they cannot afford to lose more than one vote, assuming all Democrats vote against Judge Kavanaugh. In case of a tie, Vice President Mike Pence could cast a vote to confirm him.



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## WORLD NEWS

# Pompeo Backed Saudis Amid Objections

Support in Yemen war came after secretary of state sided with his legislative affairs team

By DION NISSENBAUM

WASHINGTON—Secretary of State Mike Pompeo backed continued U.S. military support for Saudi Arabia's war in Yemen over the objections of staff members after being warned that a cutoff could jeopardize \$2 billion in weapons sales to America's Gulf allies, according to a classified memo and people familiar with the decision.

The move has fueled rising outrage in Congress, where a bipartisan group of lawmakers is trying to cut off American military aid for Saudi Arabia and the United Arab Emirates in their three-year war against Iran-backed fighters in Yemen.

More than 16,700 civilians have been killed or injured in Yemen, according to the United Nations. The U.S. is backing the Gulf allies in Yemen, where the Trump administration is working to contain Iran's allies and al Qaeda militants.

Mr. Pompeo overruled concerns from most of the State Department specialists involved in the debate who were worried about the rising civilian death toll in Yemen. Those who objected included specialists in the region and in military affairs. He sided with his legislative affairs team after they argued that suspending support could undercut plans to sell more than 120,000 precision-guided missiles to Saudi Arabia and the United Arab Emirates, according to a classified State Department memo and people familiar with the debate.

State Department spokeswoman Heather Nauert said she wouldn't comment on "the deliberative process or allegedly leaked documents."

But she made clear that the U.S. wants its Gulf allies to do more to address continued



A Saudi-led coalition has been fighting a three-year war against Houthi rebels in Yemen. Above, Houthi supporters Thursday in San'a.

to take our diplomatic messaging seriously," and "damage the Department's credibility with Congress," according to portions of the memo shared with The Wall Street Journal.

They urged Mr. Pompeo to instead tell Congress that he couldn't certify that the Gulf nations were doing enough to minimize civilian casualties, but that the U.S. would continue to provide military support to the coalition because it is in America's national security interest.

The only group that urged him to fully support the Saudi-led coalition was the Bureau of Legislative Affairs, which argued in the memo that "lack of certification will negatively impact pending arms transfers." The State Department's legislative team said "failure to certify may also negatively impact future foreign military sales and direct commercial sales to the region."

Use of American weapons in Yemen has become a polarizing issue in Congress, where Sen. Bob Menendez, (D., N.J.), the top Democrat on the Senate Foreign Relations Committee, has already used his powers to delay efforts by Raytheon Co. to sell more than \$2 billion in precision-guided missiles to Saudi Arabia and the U.A.E.

State officials pushing for the U.S. to keep backing Saudi Arabia argued that the coalition had taken important steps to address American concerns.

Last week, Mr. Pompeo officially gave America's Gulf allies his endorsement. But the memo informing Congress of his decision reflected U.S. concerns.

"Recent civilian casualty incidents indicate insufficient implementation of reforms and targeting practices," the memo said.

Raytheon officials didn't respond to requests to comment.

Col. Turki al-Maliki, a spokesman for the Saudi-led coalition, said Wednesday that the U.S. and Saudi Arabia have "longstanding, firm and strategically deep ties," but declined to address specific questions about American warnings.

American concern about the protracted conflict in Yemen that has pushed millions to the brink of famine and morphed into a proxy war where Houthi fighters have used Iran-made missiles to target neighboring Saudi Arabia.

The U.S. currently provides the Saudi-led coalition with modest military support, including weapons sales and aerial refueling of jet fighters carrying out airstrikes in Yemen. The U.S. also provides military training meant to help minimize civilian deaths, and some battlefield intelligence, but the American support has had a negligible impact on reducing civilian casualties. A recent U.N.

Concerns in Washington were amplified last month when an errant Saudi airstrike hit a school bus, killing more than 40 Yemeni children on a field trip.

report found that the Saudi-led coalition airstrikes were responsible for most of the 16,700 civilians killed or injured in Yemen over the past three years.

Human-rights researchers and reporters who visited the scene of the bombing said the missile used in the strike was American-made, raising new alarms about U.S. support.

This month, Mr. Pompeo asked his regional experts for advice on a new requirement imposed by Congress that compels the U.S. to cut off refueling operations unless the State Department officially certifies every six months that Saudi Arabia and the U.A.E. are doing enough to minimize civilian casualties in Yemen. The law includes a provision that allows the U.S. to keep providing the support on national security grounds if the State Department determines

that it helps protect America.

Most of the department's military and area specialists urged Mr. Pompeo in the memo to reject certification "due to a lack of progress on mitigating civilian casualties."

That included the State Department's Bureau of Near Eastern Affairs, the Bureau of Political-Military Affairs, the Bureau of Democracy, Human Rights and Labor, and the Bureau of Population, Refugees and Migration. Their recommendation was also backed by the legal advisers who took part in the policy review.

The experts argued that certification would "provide no incentive for Saudi leadership

### The U.S. provides the Saudi-led coalition with a modest level of military support.

Concerns in Washington were amplified last month when an errant Saudi airstrike hit a school bus, killing more than 40 Yemeni children on a field trip.

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## Terror Group Puts Plan for Syrian Buffer Zone at Risk

By RAJA ABDULRAHIM

A deal to create a demilitarized zone in Syria's last opposition stronghold and forestall a regime offensive faces an immediate challenge from terrorist groups there who have signaled their reluctance to abide by the agreement.

Hayat Tahrir al-Sham, one of the most powerful armed groups in Syria's Idlib province, criticized the accord made this week between Russia and Turkey to avert a government offensive. The accord for a demilitarized zone would remove heavy weapons and expel officially designated terrorist groups from a 10-to-12 mile corridor along the front lines by mid-October.

Hayat Tahrir al-Sham, which evolved from the al Qaeda-affiliated Nusra Front, sees the plan as a plot to weaken opposition to President Bashar al-Assad's regime. It also suggested that abandoning its weapons would be un-Islamic.

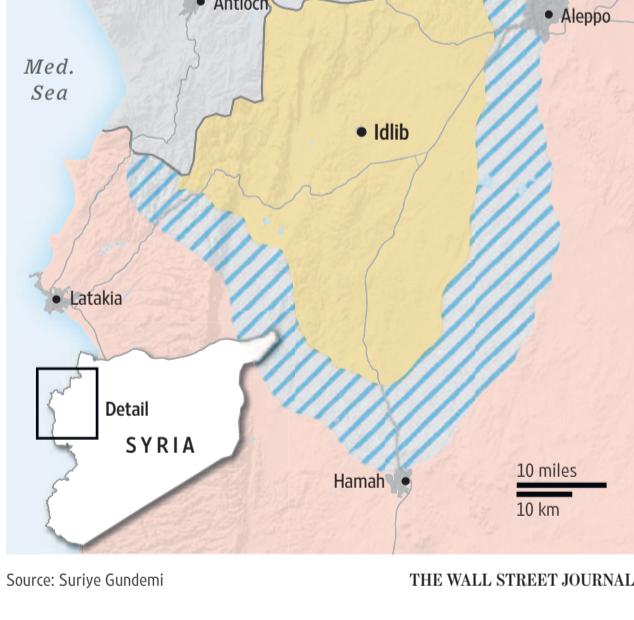
"A lot of provisions fall directly in the interest of the murderous regime in Damascus," said the group, known as HTS, through a statement posted by its media arm. "It also entails provisions that deny the revolution's principles and call for the weakening of the revolution and the jihadists through a plan to disarm them."

Turkey and Russia, which would patrol the zone to enforce the demilitarization, stand on opposite sides of the conflict. Turkey, which along with the U.S. designates HTS as a terror group, supports some mainstream armed rebel groups and has called for Mr. Assad's ouster. Russia supports Mr. Assad and since 2015 has helped his regime survive.

Idlib, home to an estimated three million mostly civilians, contains thousands of fighters from groups that Russia, Turkey and the U.S. all consider terrorists. It also is a base for tens of thousands of more moderate anti-Assad fighters

### Area of Control

Iranian regime      Opposition      Kurdish YPG militia  
Demilitarized zone



Source: Suriye Gundemi

trative control over some parts of Idlib, and recently issued new laws and edicts as it seeks to impose its harsh form of Islam over the civilian population.

The stakes are high for Idlib. The U.N. and other international bodies have warned that an all-out assault could lead to a humanitarian disaster, partly because those displaced would have nowhere to run. Neighbors including Turkey and Jordan already host millions of Syria refugees and now strictly limit their entry.

HTS and its predecessor Nusra Front have had a fraught relationships with more moderate rebels for years. They have sometimes allied with these other rebel groups against the Assad regime and at other times thwarted opposition gains.

Their actions have made foreign anti-Assad backers reluctant to support more moderate groups for fear that military and logistical aid could be stolen by the extremists.

## WORLD NEWS

# EU Heads Spurn May's Exit Plan

European Union leaders rejected the British government's proposal for how to maintain economic relations with the bloc post-Brexit, piling pressure on Prime Minister Theresa May as she is trying to put down a possible rebellion in her party.

*By Laurence Norman  
in Salzburg, Austria,  
and Stephen Fidler  
in London*

Mrs. May had hoped positive signals from the 27 other EU leaders at their summit in Salzburg would bolster her position inside her Conservative Party before its annual conference at the end of the month.

The proposal prompted the resignations of two cabinet ministers, including then-Foreign Secretary Boris Johnson, who is expected to try to boost his chances to succeed Mrs. May by delivering a big speech on the fringes of the Conservative Party conference, set to begin in Birmingham on Sept. 30.

The government's delay in surfacing the plan has brought the talks with the EU down to the wire. Both sides say they are preparing for large-scale disruptions in trade, including long port delays, if a deal can't be struck.

It isn't clear, however, that her position as head of Britain's ruling party is immediately threatened. Many Conservative lawmakers have no appetite for a weeklong lead-

ership election to determine a new party leader and prime minister, particularly with the Brexit negotiations coming to a head before the end of the year and the U.K.'s scheduled exit from the bloc on March 29.

The plan, approved by the cabinet in July and named after Chequers, the prime minister's country residence, took two years to emerge after Britons voted in June 2016 to leave the EU, as Mrs. May shied away from confronting the divisions in her party.

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Whichever way she moves, she will encounter opposition within her own party. And with opposition parties likely



Britain's Prime Minister Theresa May, right, and European Commission President Jean-Claude Juncker in Salzburg, Austria, on Thursday.

LEONHARD FOEGER/REUTERS

Mrs. May will now be forced to consider her negotiating position: whether to use her proposal's fate as a rationale for moving closer to the EU's orbit; or whether to accept more disruption to increase the country's autonomy from the EU.

Whichever way she moves, she will encounter opposition within her own party. And with opposition parties likely

to vote against the eventual deal with the EU, her minority government won't be able to push it through Parliament unless almost all of her lawmakers are on board.

A parliamentary rejection of agreed terms for Britain's withdrawal would sharply heighten uncertainty. It would raise the prospect of a no-deal exit, with the U.K. falling out

of the EU in March with no legal basis for daily commerce and no 21-month post-Brexit standstill period as has been provisionally agreed.

EU leaders said Chequers would undermine the bloc's signal economic achievement—its single market of goods, services, capital and labor—by allowing Britain to pick the advantages it likes and drop

the obligations it doesn't. That would risk creating incentives for others to leave the bloc.

French President Emmanuel Macron said Thursday that while Mrs. May showed political courage in putting forth the Chequers plan, its economic aspect was "not acceptable."

◆ U.K. firms stock up ahead of breakup.....B6

# Turkey Cuts Growth Projections, Looking to Stem Inflation

BY YELIZ CANDEMIR

ISTANBUL—The Turkish government slashed projections for growth over the next several years, signaling it would seek to cool the country's debt-fueled economic boom and rein in double-digit inflation.

But a lack of detail on how it would achieve a soft landing for an economy that was the fastest-growing Group of 20 country last year sent the Turkish lira down, underscoring investors' jitters over Turkey's high debt levels and rising inflation rate.

The lira was at 6.28 to the dollar in the afternoon trading, slightly lower than

Wednesday's close, suggesting that international money managers remain skeptical that the government's new measures will be enough to support the currency. The Turkish currency has lost about 40% this year against the dollar.

In a much-anticipated presentation, Turkish Finance Minister Berat Albayrak on Thursday said Ankara expects the Turkish economy to grow 3.8% this year, sharply down from its previous forecast of 5.5%.

The government also forecast that inflation will reach 20.8% this year, before easing to 15.9% next year. In August, inflation reached 17.9%, up from just over 10% at the start of the year.

**Finance  
Minister Berat  
Albayrak says  
an economic  
slowdown  
could hurt  
Turkish banks.**

Mr. Albayrak, who is the son-in-law of Turkish President Recep Tayyip Erdogan, warned the economic slowdown could push many companies, and eventually Turkish lenders, into financial difficulties but pledged the government would stand by to help banks restructure bad debts.

A credit boom fueled in part

by government loan guarantees pushed Turkey's economy into overdrive last year, expanding gross domestic product by 7.4%.

Mr. Albayrak said Ankara aims to "keep our banking sector strong and capable of financing our economy." But he also suggested that a slowdown in the Turkish economy could hurt Turkish banks, saying that "if necessary, we will initiate a comprehensive set of policies."

Mr. Albayrak also stressed that the central bank will use its all of its available monetary policy tools to stabilize prices. The minister emphasized that the bank will act independently to tame inflation.

Longstanding concerns

about the independence of the Turkish central bank have grown in recent months. Mr. Erdogan has long demanded low interest rates, claiming that high rates feed inflation.

Last week, the central bank defied Mr. Erdogan by sharply raising its benchmark interest rate by 6.25 percentage points, to 24%, in a bid to rein in rising prices and support the Turkish lira. But after that decision, Mr. Erdogan said he wouldn't tolerate higher lending rates, stirring fresh worries over the central bank's independence.

Mr. Albayrak must balance pressure from Mr. Erdogan to keep credit flowing and growth high with investor demands that

the central bank and government find ways to cool the credit boom. The lira's sharp fall this year has made the large pile of foreign-currency debt on the books of Turkey's private companies much harder to pay off.

On Thursday, the government said it expects the economy to grow 2.3% next year and 3.5% in 2020, down from previous forecasts of 5.5% for each year.

Some analysts say the government's forecasts still may be too high. They say that after years of high, credit-fueled growth, a cooling-off period is necessary to help break a spiraling inflation cycle under which employees seek higher wages to offset higher consumer prices.

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## WORLD NEWS

# North Korea Open to Test-Site Inspections

By ANDREW JEONG  
AND DASL YOON

SEOUL—North Korea is open to allowing outside inspections of a nuclear-weapons testing site it closed in May, South Korea's leader said on Thursday, a day after the North agreed to open a missile site to inspectors.

Back from a three-day summit with North Korean leader Kim Jong Un, President Moon Jae-in said Mr. Kim is willing to allow inspection of the site, Punggye-ri, which wasn't mentioned in this week's joint agreement.

"The site is North Korea's only nuclear-weapons testing site," Mr. Moon said to reporters in Seoul upon his return from the summit. "They've shut it down completely and said they can allow inspection at any time."

Mr. Moon's revelation appears aimed at winning over those skeptical of North Korea's promise to dismantle its nuclear weapons, including U.S. officials, whose support Mr. Moon needs to continue his engagement policy toward Pyongyang.

In Wednesday's joint agreement, Pyongyang said it would allow outside inspectors to visit its missile test site and would conditionally decommission its Yongbyon nuclear-enrichment facility, though it didn't say it would be opened to outside inspection.

The Punggye-ri testing site was destroyed in May, after North Korea invited international journalists to watch as officials blew up the entrances to tunnels leading into mountainside nuclear-weapons testing facilities.

North Korea, however, didn't invite nuclear experts to



PONGYANG PRESS CORPS/EPA/SHUTTERSTOCK

Messrs. Kim, left, and Moon, center, visited Mount Paektu Thursday.

independently verify the site's permanent closure. Skeptics have said inspection and verification of the Punggye-ri site would help build trust, as it would dispel suspicions that the site hadn't been completely dismantled. The site

has served as the testing ground for five North Korean nuclear-weapons tests.

"I believe that closing the test site at Punggye-ri and blowing up parts of the test tunnels was a big deal," said Siegfried Hecker, a professor

emeritus at Stanford University. "However, suspicions linger that the North would be able to reconstitute the test tunnels quickly. A visit by knowledgeable experts would examine that question."

Mr. Hecker, whose research touches on plutonium science and nuclear weapons, is among a few Americans to have visited some of North Korea's nuclear facilities. He visited Yongbyon in 2010.

The North has touted the closure as one of its major concessions that should be reciprocated by steps by the U.S. Pyongyang has demanded a U.S. agreement to sign an end-of-war declaration, nominally ending the Korean War. The 1950-53 Korean War ended in an armistice, leaving the North at war with the U.S. and South Korea.

Washington officials have been reluctant to concede.

## WORLD WATCH

## MALAYSIA

**Najib Pleads Not Guilty to New Charges**

Prosecutors filed more than two dozen new charges against former Prime Minister Najib Razak, including money laundering and abuse of power, involving hundreds of millions of dollars in one of the world's most expansive financial scandals.

Mr. Najib pleaded not guilty and claimed his right to a trial during a court appearance Thursday. His alleged connection to the scandal surrounding state development fund 1Malaysia Development Bhd. contributed heavily to his electoral defeat in May.

Mr. Najib, 65, has recently taken to Facebook to deny wrongdoing in the 1MDB case.

The charges brought against Mr. Najib on Thursday go to the heart of the 1MDB scandal, centering on 2.6 billion ringgit (\$681 million when first reported by The Wall Street Journal three years ago; \$627 million now) that allegedly entered his personal bank accounts.

—Yantoultra Ngui

## JAPAN

**Abe to Serve Another Term as Premier**

Prime Minister Shinzo Abe was re-elected to a new three-year term as ruling-party president, putting him in position to stay on as prime minister through 2021 and become Japan's longest-serving leader.

Mr. Abe defeated former Defense Minister Shigeru Ishiba on Thursday to keep his post as head of the Liberal Democratic Party, which means he will stay on as prime minister because the party controls Parliament.

Mr. Ishiba earned support from the party's rank and file by arguing the benefits of generally steady growth weren't flowing to workers and regions outside big cities. He won about 45% of the vote of party members and supporters, but only 18% of the party's members of parliament.

Mr. Abe said this would be his final election as party leader.

—Peter Landers

## LIBERIA

**Officials Search for Missing \$104 Million**

Authorities in Liberia said they were investigating the disappearance of \$104 million in newly printed bank notes intended for the central bank, in a possible fraud equal to 5% of gross domestic product.

The government said the matter was being taken seriously because it had national security implications. The disappearance is a blow for the economy as it recovers from the commodity-price crash and Ebola epidemic.

—Nicholas Bariyo



Opposition parties back presidential candidate Ibrahim Mohamed Solih, who greeted crowds at a campaign rally in Male on Sept. 8.

Such concerns have driven the U.S. and India closer, including on the military front. The U.S. is working with other allies to counter China farther afield, including Australia in the South Pacific and Japan in the South China Sea.

Maldivian opposition leaders draw inspiration from Malaysia, where voters this year forced out the party that had been in power since 1957 and chose a leader who is unwinding his predecessor's deals with China.

Elsewhere in the region, democracy has been in retreat. Myanmar's shift from military rule has gone awry, as democracy icon Aung San Suu Kyi faces censure for backing mili-

tary leaders who the U.N. says should be prosecuted for genocide, and Beijing has emerged as the country's main defender.

In Cambodia, Prime Minister Hun Sen locked up his rival ahead of July elections—and China helped pay for voting booths. Thailand's military-installed government, which took power in a 2014 coup, has repeatedly postponed elections.

In the Maldives, Mr. Yameen has employed similar tactics, arresting opponents and some allies on charges including terrorism and assassination plots, and curbing free speech.

Opposition leaders say Mr. Yameen is trying to dishonestly win a second five-year term

and establish effective one-party rule—a charge he denies.

Mr. Yameen will succeed if he can manipulate the election Sunday, said Hamid Abdul Ghafoor, a leader of the main opposition party, the Maldivian Democratic Party, which ousted one of Asia's longest-serving dictators in 2008.

"It is very difficult to imagine the MDP surviving if we are fraudulently pushed down again," Mr. Ghafoor said.

Mr. Yameen's most prominent opponent isn't on the ballot: former president and MDP chief Mohamed Nasheed, who was sentenced in 2015 to 13 years in prison on terrorism charges following a trial that

the U.N. said was unfair and flawed. Mr. Nasheed runs his party from Sri Lanka.

In February, after the Maldives Supreme Court scrapped his conviction, Mr. Yameen declared a state of emergency and detained two of the judges. The remaining judges reversed the court's decision, scotching Mr. Nasheed's presidential bid.

For the election, opposition parties have united in support of candidate Ibrahim Mohamed Solih, a parliamentarian for more than two decades.

"The future of democracy in the Maldives is at stake," said Mr. Ghafoor, the opposition leader. "This is a make or break election."

## Seltzer Fans Hack Machines

*Continued from Page One*  
said. "The economics here are obvious."

The practice of SodaStream hacking has become so popular that a small cottage industry has sprung up to support it. Vendors sell special adapters to support unofficial carbon dioxide canisters on the SodaStream, while others offer to refill the SodaStream canisters in ads on Craigslist and Facebook.

YouTube videos give users pointers on everything from how to attach a carbon dioxide tank to how to fill canisters with dry ice, the solid form of carbon dioxide that eventually becomes gas—protip: don't overfill.

In one popular video, the poster points to a 5-pound aluminum carbon dioxide tank and says, "You can steal these from landfills pretty much anywhere." The poster of the video, which has been viewed over a half-million times, couldn't be reached for comment. Most hackers interviewed by The Wall Street Journal recommend using tanks designed for beverage use, to avoid the risk of un-

known contaminants.

Israel-based SodaStream International Ltd. discourages the hacking and said tampering with the gas canisters violates its terms of service. It added it isn't responsible for any "bodily harm that could be caused by misuse."

Luis Badilla, 33, started refilling SodaStream's canisters with his own carbon dioxide to support his sparkling-water habit of as many as 10 liters a day—the equivalent of more than 28 12-ounce cans.

Mr. Badilla, of Elk Grove, Calif., realized he could save even more money by refilling other customers' gas canisters as well. He charges several dollars for each—still a bargain for the buyer—and now fields requests from customers who text him to refill their canisters at all hours.

Mr. Badilla said he uses a scale to make sure he is filling the bottles properly, and always warns customers to store them at the right temperature. Mr. Badilla learned that lesson the hard way when one of his bottles exploded.

"It's not extremely dangerous," he said he tells customers. "If you hear a pop, tell me."

SodaStream "starter packs,"

## FROM PAGE ONE



David Mortman hacks his SodaStream machine by using his own 20-pound carbon dioxide tank instead of the company's gas canisters.

sparkling water for 25 cents a liter.

Deviant Ollam, 42, of Seattle, said he bought a special adapter that allows him to attach a 20-pound carbon dioxide tank directly to his SodaStream machine. The contraption sits next to bottles of wine under a bar in his house.

He said he purchased "food grade" carbon dioxide from his local gas-supply store, which some SodaStream customers consider to be safer.

For him, the appeal is less about saving a few cents than using his wits to get ahead. His family is drinking far more sparkling water than they did before, just because they can, he said. "Why drink regular

water again when you can have the Tm sticking it to the man's feeling?" Mr. Ollam said.

Sales of sparkling water have skyrocketed across the U.S., with Americans on track to buy an estimated 821 million gallons of sparkling brands this year, three times the amount bought in 2008.

SodaStream, which took off in popularity starting in the late 1990s, is widely credited with bringing home sparkling-water machines to the masses. PepsiCo Inc. said last month that it would buy the company for \$3.2 billion.

David Mortman, 46, said twice a year he shells out about \$20 to fill a 20-pound tank with carbon dioxide, and then uses that to load up the smaller canisters usually used for paintball games that power his SodaStream.

Mr. Mortman, who lives near Columbus, Ohio, said he buys only "beverage grade" carbon dioxide.

Neither "beverage grade" nor "food grade" has a precise meaning, said Steven Gendel, a scientist with the United States Pharmacopeial Convention, the nearly 200-year-old group that has responsibility for defining the purity specifications of carbon dioxide used in food.

Mr. Gendel's rule of thumb: SodaStream hackers should ask for "Food Chemicals Codex, Eleventh Edition, First Supplement"-grade carbon dioxide.

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## FROM PAGE ONE

# The Latin Murder Calamity

*Continued from Page One*  
 tion to the U.S. Violence costs Latin America 3% of annual economic output, on average, twice the level of developed countries, according to a 2016 study by the Inter-American Development Bank. The price tag for crime, which the bank put at between \$115 billion and \$261 billion, is comparable to the total regional spending on infrastructure, or the income of the poorest third of Latin Americans.

In recent years, growing numbers of families from Central America, including women and children, have fled to the U.S. because of horrific violence. Gangs such as MS-13 and Barrio 18 enforce a reign of terror, dictating even where people can go to school or get medical care. El Salvador's murder rate of 83 per 100,000 people in 2016—the world's highest—was nearly 17 times that of the U.S.

## Traumatic stress

A new study by Vanderbilt University shows that the strongest factor in predicting whether someone emigrates from Honduras and El Salvador isn't age, gender or economic situation, but whether they had been victimized by crime multiple times in the past year. A World Bank study found that nearly a quarter of children in one Honduran municipality suffered from post-traumatic stress disorder due to violence.

At the Acapulco morgue, bodies pile up faster than workers can process them. The morning after Mr. Sabino's murder, there were already three new victims lying on gurneys awaiting autopsy. A few feet away, 356 bodies that remain unclaimed or unidentified were stuffed into five refrigeration units. The smell of death hung in the air.

"We never catch up," says Ben Yehuda Martinez, the top forensic official for the state of Guerrero, where Acapulco is located. "While we're trying to clear the first set of bodies, another set of bodies arrives."

Just this week, Mr. Martinez's counterpart in the state of Jalisco was fired after it emerged that two trailer trucks filled with more than 150 cadavers each were roaming Mexico's second-largest city of Guadalajara for days because the local morgue was too full. Officials admitted the trucks contained corpses after neighbors complained of the smell and dripping blood.

Mr. Martinez, 60, has seen it all. His very first case as a young forensic specialist in the nearby city of Iguala was the 1997 autopsy of two doctors who had botched a plastic surgery operation, accidentally killing drug lord Amado Carrillo Fuentes. Their bodies, encased in cement, were found on the side of the Mexico City-to-Acapulco highway. Mr. Martinez's verdict: They were both asphyxiated with a tourniquet.

Mr. Martinez says he hasn't ever become used to seeing children killed. "Before, criminals never killed kids. But now I do autopsies on 7- or 8-year-olds," he says. He teaches chemistry and biology at a local college. "I've had the shock of having to autopsy quite a few of my former students."

Up to 10% of the cadavers that arrive are never claimed. No one files a police report or bothers to pick up the body. Other times, there is no way to identify a corpse: "We sometimes get only a leg or a head to work with," he says.

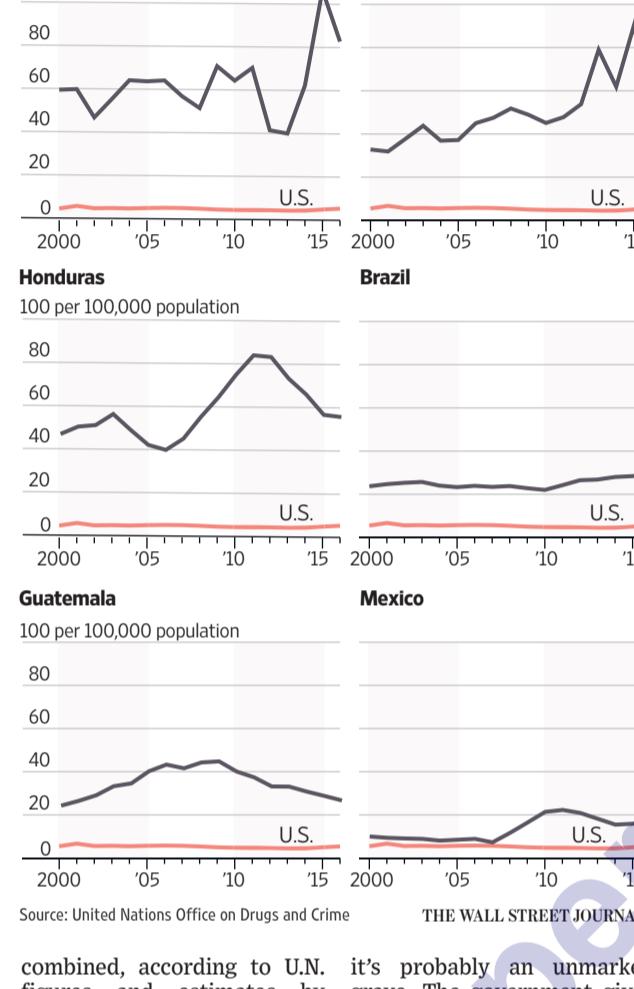
Latin America accounts for 43 of the 50 most murderous cities, including the entire top 10, according to the Igarapé Institute, a Brazilian think tank that focuses on violence. South Africa and the U.S.—where St. Louis ranks No. 19—are the only countries outside Latin America that crack the top 50.

At current murder rates, if you live in Acapulco (or Caracas, Venezuela, or San Salvador) for 70 years, there is a roughly 1-in-10 chance you will get murdered.

Between 2000 and 2017, roughly 2.5 million people were murdered in Latin America and the Caribbean, as if Chicago were wiped out. That compares with about 900,000 killed in the armed conflicts of Syria, Iraq and Afghanistan.



## Intentional homicide rate



Source: United Nations Office on Drugs and Crime

combined, according to U.N. figures and estimates by groups like Iraq Body Count.

During that same period, all the world's terrorist attacks killed 243,000 people, according to the University of Maryland's Global Terrorism Database.

"Large swaths of Brazil, Colombia, El Salvador, Honduras, Mexico and Venezuela are experiencing a war in all but name," says Robert Muggah, head of the Igarapé Institute.

The vast majority of victims and perpetrators are young men, killed mostly by gunshot. A vital Twitter feed in Rio de Janeiro is "Onde Tem Tiroteio," or "Where's the Shootout?" which tells motorists which parts of the city to avoid. Some recent entries: "A grenade was thrown on the pedestrian bridge near Zuzu Angel Tunnel." "Shots on 2nd Street in Rocinha, police base under shooting attack."

Shockingly, 1,379 babies under one year of age died violently in Brazil between 2000 and 2015, according to government statistics. Nearly 30,000 victims in Brazil were over 60 years old.

## The 'Soup Maker'

Mexico's murder tally may be underreported because many victims are tossed into unmarked graves, burned or put through sugar-cane grinders. In Tijuana, Santiago Meza confessed to dissolving more than 300 people in acid for a local cartel, earning the nickname "Pozolero," or soup maker. The state of Coahuila, once under the control of the hyperviolent Zetas drug cartel, holds some 103,000 bone fragments belonging to unidentified bodies.

The sheer number of the missing could outnumber better-known cases of "disappeared" in Latin America's sometimes bloody history, including Argentina's Dirty War against leftists in the late 1970s.

Mexico has become a nation of unmarked graves where a small army of grieving mothers financed by bake sales search for their missing children. Their technology: They hire construction workers to hammer steel rods 6 feet into the ground, and then sniff the ground. If it smells of death, then

it's probably an unmarked grave. The government gives little support.

"It's an interminable search," says Guadalupe Contreras, one such searcher. "Today you find 20. Tomorrow, they bury another 20 somewhere else." This month, the state of Veracruz discovered a mass grave with 168 skulls.

Crime affects everyday life. About half of respondents in Latin America said they stopped going out at night, while more than 1-in-10 said they had moved due to the fear of violence, according to a survey from the U.N. Considering Latin America's population, that's more than 62 million people who felt the need to change homes.

How did it get this bad?

Latin America was colonized violently and had bloody wars of independence. It has the world's biggest gap between rich and poor, fueling resentment. Large parts of the economy are "informal," street markets and family-run businesses that operate outside government control and pay no taxes, creating a culture of skirting the law. It has powerful groups of organized crime like Mexican drug cartels, and weak states riddled with corruption.

Much of Latin America also urbanized rapidly without services such as schooling and po-



Acapulco's morgue, above, often can't keep up with the work load. Below, Gabriela Victoria mourns her daughter Erica, who was kidnapped and murdered by long-time acquaintances.

licensing, creating belts of excluded groups around cities.

Migration may have made matters worse. The percentage of single-parent homes in Mexico and Central America has grown rapidly over the past 20 years.

These factors create vicious cycles. Laura Chioda, a researcher at the World Bank, found that as many as 40% of young people in Honduras suffer from some form of depression due to the violence. "Now, imagine them at school," she asks. "Can you teach calculus to someone with that level of trauma?" Many drop out and join the informal economy, where they won't have a salary, training or career prospects.

"Once there, they find this parallel structure of crime that provides jobs, services and an identity," she says.

*'While we're trying to clear the first set of bodies, another set of bodies arrives.'*

Latin America's powerful mafias come from two accidents of geography: One is sitting next to the world's biggest market for illegal drugs, the U.S., and the other is being the only region in the world to grow the coca plant, the main ingredient in cocaine, which remains among the world's most profitable drugs. Organized crime accounts for about two-thirds of Mexico's murders, experts say.

Mexico's Independence Day celebrations on the night of Sept. 15 were marred when gunmen dressed as mariachi singers entered the city's famed Garibaldi plaza and gunned down five people, allegedly in a dispute over local

drug sales.

Organized crime doesn't explain all the violence, however. In Colombia, for instance, it accounts for anywhere from a quarter to half of crimes, government officials estimate.

Latin America also has high rates of interpersonal and family violence. Colombian officials say the most murderous day of every year in Colombia is Mother's Day, when revelers get drunk. Next on the list: New Year's and Christmas.

Latin America wasn't always the most murderous region in the world. In the 1950s, Singapore and Caracas had very similar murder rates, between 6 to 10 per 100,000 residents, according to Manuel Eisner, who studies historical levels of violence at the Violence Research Centre in Cambridge, U.K.

At the time, Singapore suffered from gangs, prostitution, drug trafficking and corruption. But after independence in 1962, authoritarian Lee Kuan Yew enforced rule of law, boosted education, and created a culture of working hard and achievement, and ensured social integration. "It wasn't all coercion—there was a caring element," says Mr. Eisner.

Nowadays, Singapore's murder rate is 0.4 per 100,000 residents. In Caracas, the government doesn't bother to count. The nongovernmental Venezuelan Violence Observatory estimates the country's murder rate is roughly 110 per 100,000—about 34,000 a year.

With some exceptions such as Chile, and increasingly Colombia, Latin America has largely failed to build strong legal institutions. Less than 20% of homicides in the region are solved. In Mexico, the figure is below 10%. Mexico's Attorney General's Office, the country's version of the FBI, investigated more than 600 murder cases linked to orga-

nized crime in the past eight years. It won a guilty verdict in just two. That kind of impunity literally means that you can get away with murder.

When impunity is high, people take justice into their own hands. In mid-May, locals in the town of Miravalle in southern Mexico grabbed three men accused of holding up an elderly woman and burned them alive. No arrests were made in the case, state officials say.

The spread of democracy in the 1990s across the region has had a perverse effect. Authoritarian states have an easier time controlling organized crime and violence. Many parts of Latin America got democracy before the rule of law; parts of Asia got the rule of law without democracy. Cuba, the hemisphere's lone communist state, has a homicide rate estimated at about 4 per 100,000 residents.

## Democratic paradox

Democracy in places such as Mexico disrupted existing arrangements between governments and organized crime that allowed for a pax mafiosa, says Eduardo Guerrero, a Mexican violence researcher. State governors would allow drug gangs to ferry narcotics to the U.S. in exchange for money and a promise to keep violence in check, not sell drugs near schools and reinvest some of the profits locally. The marketplace for votes upset those arrangements.

In many ways, Acapulco is a perfect metaphor for Latin America's broader failures. It is a place of stunning beauty spoiled by the same factors that fuel violence across the region: inequality, rapid and unplanned urbanization, lack of good institutions from education to police, deeply rooted corruption and an anything-goes attitude to the law.

Elizabeth Taylor, Frank Sinatra and John Wayne were regulars here during the resort's heyday in the 1940s and 1950s. Two American presidents—John F. Kennedy and Bill Clinton—made it their honeymoon destination. Later on, for more daring tourists, Acapulco was the place they could do what they couldn't back home. Marijuana and cocaine were easily available at discos and from taxi drivers, and prostitution thrived, with brothels sitting just a block from the main strip.

"Acapulco was a place where tourists were allowed to do anything. So it's not that surprising that locals also began to view the place as a city where there were no rules," says Elisabet Sabartes, a Spanish journalist who is writing a book on the city's violence. During the four years she has lived there, five acquaintances have been murdered.



As violence eroded Acapulco's tourism industry, many large projects were abandoned.

# GREATER NEW YORK

# Middle School Diversity Plan Is Approved

Brooklyn's District 15 will use a lottery system for admission to 11 institutions

By LESLIE BRODY

In one of New York City's most dramatic overhauls of admissions policies, public middle schools in one Brooklyn district will stop selecting applicants by academic records in an effort to better integrate their classrooms by race and income.

On Thursday the city approved a new diversity plan for District 15 that will let students rank their top choices and use a lottery to allocate seats, while reserving about half of each middle school's slots for students who are low-income or learning English.

The change affects all 11 middle schools in the area, which includes Park Slope, Sunset Park and Red Hook, and a mix of homes from brownstones to public-housing developments.

"You can feel in the air in



M.S. 51 is among the District 15 schools that will be using a new admissions policy to boost diversity.

been a high-stress chase for the most popular schools. "The fact that children are getting rejection letters in fifth grade is horrifying," said Nancy Cruz, an elementary school parent thrilled with the change.

Some parents have expressed concern that under District 15 plan's lottery, their high-achieving fifth-graders could lose access to their top choices. Some say they also worry teachers will have trouble adjusting to classes of children with a broader band of ability levels. Principals contend teachers can manage a range of learning styles and needs.

The new plan will take effect for current fifth-graders applying to enter middle school in fall of 2019. Students rank their choices and academic screening plays no role.

The mayor's office promised \$500,000 to support the admissions changes, including resources to help teachers.

Some parents said they supported diversity, but are afraid to criticize the plan publicly for fear of being labeled racist. One

group of Park Slope parents has consulted a lawyer to explore the possibility of litigation to block the change, or press for a more gradual rollout. Some said if their children don't get into strong schools, they will move to charters, private schools or out of the district.

"I don't think it's going from zero to 60 on this plan," said one mother of a fifth-grader. "It's completely untried, untested, and our kids are the ones they'll work out the kinks on."

Eliza Seki, a 12-year-old student, said integration is crucial, and her relatively diverse middle school, M.S. 839 in District 15, had been more illuminating than her mostly white elementary school. "I've learned much more about experiences of students in their own lives, not just from a textbook," she said.

About 6,000 students attended District 15 middle schools in the last academic year: About 12% were Asian, 12% black, 42% Latino, and 32% white, city data said.

# Former Cuomo Aide Sentenced to Six Years in Prison

By CORINNE RAMEY

New York Gov. Andrew Cuomo's former senior aide and family friend was sentenced Thursday to six years in prison for accepting more than \$300,000 in bribes for state action that benefited two companies.

In March, a Manhattan federal jury convicted Joseph Percoco, 49 years old, of two counts of conspiracy to commit fraud and one count of bribery.

Mr. Percoco, who Mr. Cuomo has called "my father's third son," managed Mr. Cuomo's two successful gubernatorial campaigns and served most recently as his executive deputy secretary.

U.S. District Judge Valerie Caproni said Thursday there were few crimes as serious as a public official taking a bribe.

"I hope this sentence will

be heard in Albany," she said.

Mr. Cuomo, a Democrat, wasn't accused of wrongdoing. However, Mr. Percoco's trial and subsequent conviction prompted political attacks on Mr. Cuomo, who is seeking a third term in November.

In court Thursday, Mr. Percoco looked pained as Judge Caproni handed down the sentence. He apologized for any harm he had caused his family and New Yorkers. "I would just like to express how sorry I am for my actions," he told the judge before sentencing.

Mr. Percoco's lawyers said they would appeal the verdict. They had argued a two-year sentence would be sufficient punishment, noting that the trial and publicity had "all but destroyed Joe's life."

Prosecutors had asked the judge to sentence Mr. Percoco to more than five years. Such

a penalty would deter future crimes, particularly in Albany, they said.

"Percoco's trial exposed wrongdoing at high levels of state government that is hardly aberrant," prosecutors said. "Recent prosecutions and trials in this district have laid bare the ugly truth that, too often, political power and responsibility in New York leads to political corruption."

During the trial, prosecutors said Mr. Percoco had accepted more than \$300,000 in bribes from executives at an energy company, Competitive Power Ventures LLC, and a developer, COR Development Co.

Both companies were clients of a lobbyist, Todd Howe, who was Mr. Percoco's longtime friend and served as prosecutors' cooperating witness during the trial.

In exchange for the bribes,

from some integration advocates for not pushing harder for city-wide changes. Mr. de Blasio said that community-driven plans usually work best. He pledged \$2 million in grants for other neighborhoods to follow District 15's lead in hosting public workshops and crafting diversity proposals.

Now, 25 of the city's 32 community districts have selective admissions for middle schools,

which often use test scores and course grades as factors.

Many parents and educators have wanted to end what has

been a high-stress chase for the most popular schools. "The fact that children are getting rejection letters in fifth grade is horrifying," said Nancy Cruz, an elementary school parent thrilled with the change.

Some parents have expressed concern that under District 15 plan's lottery, their high-achieving fifth-graders could lose access to their top choices. Some say they also worry teachers will have trouble adjusting to classes of children with a broader band of ability levels. Principals contend teachers can manage a range of learning styles and needs.

The new plan will take effect for current fifth-graders applying to enter middle school in fall of 2019. Students rank their choices and academic screening plays no role.

The mayor's office promised \$500,000 to support the admissions changes, including resources to help teachers.

Some parents said they supported diversity, but are afraid to criticize the plan publicly for fear of being labeled racist. One

group of Park Slope parents has consulted a lawyer to explore the possibility of litigation to block the change, or press for a more gradual rollout. Some said if their children don't get into strong schools, they will move to charters, private schools or out of the district.

"I don't think it's going from zero to 60 on this plan," said one mother of a fifth-grader. "It's completely untried, untested, and our kids are the ones they'll work out the kinks on."

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Joseph Percoco left the courthouse Thursday after his sentencing.

DREW ANGER/GETTY IMAGES

ees who were seeking jobs outside the governor's office. The sentencing comes a week after Mr. Cuomo won a resounding Democratic primary victory against Cynthia Nixon, and has turned toward the general election campaign against Dutchess County Executive Marc Molinaro, a Republican.

In recent weeks, Ms. Nixon and Mr. Molinaro each pointed to Mr. Percoco's conviction as evidence of corruption within the governor's administration.

On Thursday, Republicans and good-government groups seized on the sentencing to call for reforms, saying Mr. Cuomo hadn't done enough to change the culture of Albany.

Mr. Cuomo said in a statement that Mr. Percoco was "paying the price for violating the public trust."

—Jimmy Vielkind contributed to this article.

# 'Ferris' Wheel Plan Likely to Be Derailed

By PETER GRANT

The investors behind plans to develop a 630-foot high observation wheel on Staten Island say they are about to pull the plug on the partially completed project, all but ending a six-year effort to bring the attraction to New York City.

Lead partners Lloyd Goldman and Jeffrey Feil, who control separate commercial real-estate firms, said in an interview that they are close to abandoning their plans to build the wheel because the city has denied their request to support a tax-exempt bond issue.

The project resembles a giant Ferris wheel, with 36 rotating capsules that could each hold 40 passengers. The developers envisioned that it would anchor a new retail and entertainment complex just steps away from the Staten Island Ferry terminal.

Messrs. Goldman and Feil said they had been in talks for months to convince the city to support a \$380 million bond sale that would enable them to get the waterfront project, named New York Wheel, back on track. Members of the administration of Mayor Bill de Blasio gave them the bad news just before Labor Day, the developers said.

Unless the city changes its position, they said, they will sell the huge parts of the



An observation wheel planned for the Staten Island waterfront.

wheel that have been manufactured and are sitting in warehouses in Brooklyn and six foreign countries. There also likely would be a resumption of lawsuits between the developers and the contractor, which were filed earlier, as well as problems with investors who have put up more than \$200 million of the financing through an immigration program known as EB-5,

they said.

A spokeswoman for the New York City Economic Development Corp. said in an email that the city "remains supportive" of the project. But she said there is no assurance a bond issue "would help them close a significant funding gap. We remain convinced that public funds are too scarce to be leveraged for this venture," she said.

In 2012, when their New

York Wheel LLC venture was announced, the backers predicted that it would attract about 3.5 million visitors a year and rival the London Eye and Singapore Flyer as a high-profile tourist attraction. At that time the projected budget was about \$450 million, and the wheel was expected to be completed by 2016.

But the project suffered massive delays and cost overruns, driving the total projected cost today to about \$900 million. Work stopped last year, leading to lawsuits between New York Wheel and the lead contractor, Mammoet-Starneth LLC, in New York federal court.

Four massive pedestals, each weighing 100 tons, have already been erected on the site, which is owned by the city and leased by New York Wheel. Many of the promised amenities, including a parking garage and park, have been completed or mostly finished, the developers said.

About \$450 million has been spent so far, with \$206 million of that coming from the EB-5 investors and most of the rest coming from Messrs. Goldman and Feil.

"We don't understand why the city would say no," Mr. Goldman said. "It's basically a cake that's been mixed and readied and prepared for them. And it's like: Don't take it out of the oven."

Ms. Jones said she also might review some of the cases handled by the archdiocese's victim's compensation fund, which acts independently of the archdiocese. That fund has paid out \$59.7 million to 278 victims, said an archdiocese spokesman, citing totals from two weeks ago.

Ms. Jones's initial review began 10 days ago, she said.

She is a partner at law firm Bracewell LLP and served 16

# N.Y. Archdiocese Hires Investigator for Review

By MELANIE GRAYCE WEST

The Archdiocese of New York has hired a former federal judge to examine how it handles accusations of abuse of a young person by a member of the clergy.

Cardinal Timothy Dolan, the archbishop of New York, said Barbara S. Jones would lead the investigation and have access to everything, including church records and personnel, going down to the parish level.

Ms. Jones recently served as "special master" in the government's case against President Trump's former personal attorney Michael Cohen.

The scope of her work for the archdiocese will include a review of policies regarding workplace sexual harassment, schools and seminaries, and how the church responds to allegations of abuses of power.

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She is a partner at law firm Bracewell LLP and served 16

years as a judge.

Cardinal Dolan "has assured me that he will take appropriate action as expeditiously as possible based upon my recommendations," Ms. Jones said.

Cardinal Dolan said he is acting amid rising concerns that the Catholic Church is losing the trust of its parishioners, remarking at a news conference that the past few months have been the "summer of hell."

"If I lose the trust of my people and this community, I don't have much left," he said.

The review follows revelations in June about an allegation of sexual abuse against Theodore McCarrick, a former cardinal, while he was a priest in New York. The allegation involves two incidents at St. Patrick's Cathedral in Manhattan, according to the accuser's attorney.

In a statement at the time, Archbishop McCarrick said he was innocent and has "no recollection of this reported abuse."

A report from a Pennsylvania grand jury in August detailed widespread abuse in the state. In response, the office of New York attorney general said it was investigating whether Catholic officials covered up allegations.

—Corinne Ramey contributed to this article.

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## GREATER NEW YORK

# NJ Transit Reduces Rail Service and Fares

BY PAUL BERGER

NJ Transit will cut rail fares by 10% for three months, as it reduces service in a last-ditch effort to install safety equipment ahead of a federally mandated deadline.

Kevin Corbett, NJ Transit's executive director, said Thursday that it was too complicated to cut fares only for those affected by the temporary changes, which begin Oct. 14. So all tickets and rail passes for travel November through January will be discounted.

"We tried to spread the pain around," Mr. Corbett said in an interview.

Congress mandated installation of the safety system, which automatically will slow or stop trains, in 2008, following a crash in California that killed 25 people and injured more than 100. The deadline is the end of this year.

NJ Transit carries more than 300,000 passengers across 12 commuter rail lines on an average weekday.

Five lines—the Northeast Corridor, Montclair-Boonton, Morris and Essex, North Jersey Coast, and Main-Bergen County lines—will be affected by the service reductions.

In recent months, the railroad has struggled to maintain its schedule because of a shortage of engines, which have been taken out of service so that the equipment can be installed.

Mr. Corbett said 21 engines out of a fleet of 400 were out of service on Thursday because of the work.

Many trains have been canceled at the last-minute, forcing passengers to take later, crowded trains that often have to make additional stops. Cutting service should reduce the number of last-minute cancellations, Mr. Corbett said.

"Enough is enough with funding New Jersey Transit on the backs of riders," she said.

more crowding on trains and have a reliable service," he said.

NJ Transit is one of nine railroads that the Federal Railroad Administration warned this summer about being at risk of missing the deadline to install the safety equipment.

Mr. Corbett said that 70% of his fleet has the equipment installed. He must reach 100% by year's end. Railroads that miss the deadline are at risk of being fined by the federal government.

NJ Transit already has taken steps to reduce services. This month, it suspended its Atlantic City Rail Line, which runs between the coastal resort and Philadelphia, and replaced it with buses. Transit officials say they expect to resume service in early 2019.

In the October round of

**The railroad has struggled to maintain schedules as it installs safety equipment.**

cuts, the railroad will temporarily discontinue 18 trains and alter the departure times of many other services. It also will replace its Princeton Dinky and its weekend Gladstone Branch service with buses. The latest changes will run through mid-January, officials said.

Janna Chernetz, the deputy director of the nonprofit passenger advocacy organization Tri-State Transportation Campaign, said she would like to see the administration of Democratic Gov. Phil Murphy find more ways of compensating riders in the future.

"Enough is enough with funding New Jersey Transit on the backs of riders," she said.

A number of customers say they would rather have a bit

# Party Considers Its Next Moves

BY JIMMY VIELKIND

The Working Families Party bet big on Cynthia Nixon's long-shot bid for governor. But in the wake of her Democratic primary loss to Gov. Andrew Cuomo, the WFP is considering anew who will run on its ballot line in November—including, possibly, Mr. Cuomo.

It is an inflection point for the party, an amalgam of labor and progressive groups that provides a boost to Democratic candidates, as it reassesses its role after Ms. Nixon's defeat. The choice also could impact the status of its ballot line.

Party officials and committee members have been trading phone calls and text messages about their next steps, and whether to back Mr. Cuomo in the name of pragmatism and unity, or continue with Ms. Nixon, if she is willing, as a statement of ideological purity.

Stephanie Miner, the former mayor of Syracuse, also has contacted WFP members about the possibility of a nomination, according to a person briefed on the conversations. There also has been chatter among some activists about nominating a party stalwart who is less known to the public.

Working Families Party State Director Bill Lipton has reiterated since Ms. Nixon's loss that no decision has been made about what the party, which formally nominated Ms. Nixon at a convention earlier this year, will do. "Cynthia and the WFP leadership and our grass-roots members have pledged to sit down and make a decision together," he said last week.

The conversation is freighted with both history and consequences. In 2014, the party backed Mr. Cuomo's re-election in exchange for a pledge that he vigorously support Democratic candidates for the New York state Senate—a promise that party



Gubernatorial candidate Cynthia Nixon, left, lieutenant governor candidate Jumaane Williams and state attorney general candidate Zephyr Teachout at the Working Families Party primary night party.

leaders feel Mr. Cuomo didn't fulfill, and that was a cornerstone of Ms. Nixon's campaign.

Under New York state law, the WFP would lose the right to automatically field candidates in the state's elections for four years if its gubernatorial nominee doesn't receive 50,000 votes—a threshold that either Mr. Cuomo, who won more than 963,000 in last week's primary, or Ms. Nixon, who garnered more than 507,000 votes, seem likely to attain.

Mr. Lipton said during an April radio interview it was "not in our DNA" to be a "spoiler" in the general election. Mr. Cuomo currently faces Dutchess County Executive Marc Molinaro, a Republican, Ms. Miner on the Serve America Movement party line, as well as Green and Libertarian candidates.

Ms. Nixon has declined to say if she would continue her candidacy, but told reporters in August that she favors Mr. Cuomo over Mr. Molinaro.

Rebecca Katz, an adviser to Ms. Nixon, said the actor remains concerned about a mail advertisement sent by the New York State Democratic Committee that accused Ms. Nixon of being "silent on the rise of anti-Semitism."

"Before the Democrats can truly be united, Governor Cuomo has to take responsibility for the mailer, say the accusations it contained were 100% false and apologize to Cynthia," Ms. Katz said.

Mr. Cuomo has condemned the mailer, but maintains he wasn't aware of its contents. He has derided Ms. Nixon's supporters as out-of-touch idealists, and hasn't said if he would accept the WFP line.

Abbey Collins, a spokeswoman for the governor's campaign, declined to comment about the WFP.

In April, Mr. Cuomo abandoned his efforts to win the party's support when it became clear the WFP state com-

mittee would back Ms. Nixon. Several labor unions that are loyal to Mr. Cuomo exited the party and pulled their financial support, saying its interests were no longer aligned with their members.

One was 32BJ SEIU, whose president, Héctor Figueroa, said he believes it is time for the party to make peace and "close the distance between community supporters and labor."

"If they don't do that, they risk becoming irrelevant and ineffective," he said.

It would take legal acrobatics to swap Ms. Nixon for Mr. Cuomo—or someone else—on the WFP line. All parties must consent, as would the WFP party's state committee, whose activists have spent the last five months campaigning against Mr. Cuomo.

"I think hell would freeze over before that's going to happen," said Phil Markham, a WFP state committee member from Rensselaer County.

or contribute to productions.

The Met is hardly an isolated case. The Lyric Opera of Chicago, for example, generated buzz with a production last season of Gluck's "Orphée et Eurydice," in which ballet and singing shared equal billing, so to speak. The production marked the company's first collaboration with the Joffrey Ballet.

While the Met no longer employs an in-house team of dancers, Mr. Gelb says that is because the company is giving choreographers freedom to work with dancers of their choice. Either way, Mr. Gelb says dance is playing some kind of role, large or small, in most Met productions.

"Dance adds to the grand that's in grand opera," he said.

And in the case of Mr. McCormick and "Samson et Dalila," the dance is adding a note of hedonism. Given his burlesque-influenced background, the choreographer was sought out for this production with the opera's bacchanal scene in mind.

Mr. McCormick said the seven-minute segment is "a giant orgy scene, for lack of a better word." But even though he has brought many of his Company XIV dancers with him to the Met, Mr. McCormick admits the scene is probably not as wild as something he might stage in his Brooklyn theater.

"It's a little more clothed than we're used to," he said.

# Met Opera's 'Samson' Takes a Risqué Step Forward

BY CHARLES PASSY

In the 12 years since he founded Company XIV, choreographer Austin McCormick has made a name for himself with his cutting-edge mix of ballet, circus and burlesque.

His productions with his Brooklyn-based troupe range from "Nutcracker Rouge," a subversive take on the holiday classic, to the current "Ferdinand: Boylesque Bullfight," a reimaging of "The Story of Ferdinand," a children's favorite, into what is billed as an "erotic" spectacle.

And for Mr. McCormick's next act this fall? He is working at the Metropolitan Opera.

Specifically, Mr. McCormick has choreographed key portions of the Met's new production of Saint-Saëns' "Samson et Dalila," which opens the company's season on Monday night. And while the choreographer is still firmly based with his Brooklyn troupe, he says the opportunity to step into the opera house—this is his second production with the Met—is always welcome.

The "beauty of opera," he said, are "these giant dramatic narratives."

But therein lies the challenge: An opera's story is told primarily through song. What room does that leave for dance?

Not that Mr. McCormick represents something entirely new. Historically, ballet has



JONATHAN TCHERITZ/METROPOLITAN OPERA

A dance choreographed by Austin McCormick in the Metropolitan Opera's new production of 'Samson et Dalila,' which opens Monday.

long been interconnected with opera, though the marriage often took the form of inserted dances that were little more than prettified pauses in the action.

"The ballets were put in for a bit of entertainment or to give people time to get a drink," said Lynne Page, a Tony Award-nominated choreographer. Ms. Page is working

with the Met this season on the U.S. premiere of Nico Muhly's "Marnie."

Peter Gelb, the Met's long-time general manager, says he

has aimed to give dance more

prominence during the last several years. In particular, the company has brought in such major choreographers as Mark Morris, Christopher Wheeldon and Susan Stroman to direct

or contribute to productions.

The Met is hardly an isolated case. The Lyric Opera of Chicago, for example, generated buzz with a production last season of Gluck's "Orphée et Eurydice," in which ballet and singing shared equal billing, so to speak. The production marked the company's first collaboration with the Joffrey Ballet.

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## GREATER NEW YORK WATCH

### NEW JERSEY

#### Atlantic City to Stay Under State Control

Atlantic City likely will remain under state control despite a campaign promise by New Jersey Gov. Phil Murphy to end Trenton's intervention in the financially troubled resort town.

Mr. Murphy, a Democrat, said Atlantic City still needs assistance but that the nature of the state's involvement has changed from "big-footing" to partnership under his administration. "Today, we are living up to our word with a strong, actionable and visionary strategic plan," he said Thursday.

Former Republican Gov. Chris

Christie's administration took over Atlantic City two years ago, after a bitter battle that pushed the city to the brink of bankruptcy. The intervention, which the Democratic-controlled Legislature approved, gave the state broad powers over the city's finances, operations and even local government.

Local unions sued to block the takeover, and residents complained that the state had violated their constitutional rights to elect their own representatives. Mr. Murphy said during a gubernatorial debate last October that he would "undo that state takeover," but on Thursday said he had been referring to the hostile treatment of Trenton toward Atlantic City.

"Here is what I was repelled by...this was a big-footing of this community," he said. "That doesn't mean that Atlantic City doesn't need the state, that the state isn't going to stay the course and be a partner."

A spokesman for Mr. Christie didn't immediately respond to a request for comment.

Atlantic City Mayor Frank Gilman, a Democrat who was elected last year, opposed the state takeover and advocated for the city to instead enter bankruptcy. On Thursday, he said the city now has an open dialogue with Mr. Murphy's administration and the relationship with the state has been "fruitful."

—Kate King

### LAW ENFORCEMENT

#### Governor Says Sheriff Should Resign

A recording surfaced Thursday of a New Jersey county sheriff making disparaging remarks about blacks and the state's first Sikh attorney general, and now Gov. Phil Murphy is calling on the official to step down.

WNJC radio obtained the tape from a person who was present during the meeting. It was recorded on the day of Mr. Murphy's inauguration in January.

On it, Bergen County Sheriff Michael Saudino is heard saying Attorney General Gurbir Grewal

was appointed because of "the turban." He also said Mr. Murphy's policies would allow blacks to "come in, do whatever the [expletive] they want, smoke their marijuana, do this do that."

Mr. Saudino also questioned on the recording whether Lt. Gov. Sheila Oliver is gay.

In a statement, Mr. Murphy said if the voice on the recording is Mr. Saudino's, then he should resign. "Without question, the comments made on that recording are appalling, and anyone using racist, homophobic, and hateful language is unfit for public office," the governor said.

A spokesman for Mr. Saudino didn't immediately return messages seeking comment.

Mr. Grewal, who worked closely with Mr. Saudino when he served as Bergen County prosecutor before being appointed attorney general, echoed Mr. Murphy's call for Mr. Saudino to step down.

"I have thick skin and I've been called far worse," Mr. Grewal said. "But the comments about the African-American community are wrong, racist and hurtful. New Jersey and Bergen County deserve better."

In July, the hosts of a popular New Jersey radio show were suspended without pay for 10 days for repeatedly referring to Mr. Grewal as "turban man" during a broadcast.

—Associated Press

# LIFE & ARTS

TELEVISION REVIEW | By Dorothy Rabinowitz

## Encountering Jane Fonda

The actress talks about her life in this colorfully detailed biography on HBO

**I** grew up in the shadow of a national monument," the star of the extraordinary HBO documentary "Jane Fonda in Five Acts" announces early on. Her reference is of course to her father, Henry Fonda, who portrayed heroes representative of all that was brave and principled in films like "The Grapes of Wrath," "The Ox-Bow Incident" and "12 Angry Men." These movies, with their social-justice themes, spoke for her father's values, she says—though he never could have verbalized them himself.

It's a high tribute. One also meticulously phrased in ways that suggest something not quite right about this talented and principled parent—it doesn't help that he's called a national monument. It's an apt introduction to this story of an emotionally impoverished family life as the young Jane saw it and lived it—an experience she reports on in searing detail. She's the historian and sole narrator of this saga (save for walk-ons by Robert Redford; Lily Tomlin; her closest friend, producer Paula Weinstein; and a few others), and it's that fact—the unfailing strength of that presence—that's the making of this film.

The documentary (directed and produced by Susan Lacy)—which takes us through Ms. Fonda's childhood, an acting career, three marriages, a substantial stint as a political radical that won her unforgettable billing as Hanoi Jane, and wildly successful best-sellerdom ("Jane Fonda's Workout Book"), all the way to a glamorous age 80—runs to two hours and 15 minutes. It feels longer, though not for the usual reason films feel long, i.e. tiresomeness. It does so here because the candor and the complexity, the unexpected raw memory mingled with touches of savage humor, exert an unrelenting power.

In an early scene we're shown a photograph of a family picnic, set up for some publicity purpose of her father's. In it 11-year-old Jane and her brother, Peter, sit alongside their mother, who smiles for the camera. A picture, her daughter notes, that always makes her sad because of the anxiety evident in her mother's eyes. But as a child she had, Ms. Fonda recalls, an aversion to her mother. "My team was the winning team," she says. She means the male sitting on that picnic blanket with his head turned away—her father, a man preoccupied with his career and his affair with a young woman. A father even less capable of making a child



feel loved than her mother, of whom it could be said, at least, that she suffered from an illness her daughter did not, at the time, understand. Her mother sat at dinner with tears streaming into her food while nobody at the table said a word, and that, too, her daughter did not understand.

But she would remember for the

### The candor and the complexity of the documentary exert an unrelenting power

usual reason certain childhood memories are forever stored—they had their impact. There were the glimpses she caught sometimes during her long walks as a child of people sitting happily at a dinner table, laughing and talking—a sight

that always created a sense of longing in her, as the adult Jane Fonda describes it.

The longing for her father's approval was far deeper. Such men, she says, referring to Henry Fonda as a great actor devoted to his craft, "aren't always great fathers"—one of her few politely evasive comments on her father's treatment of her, a subject on which Ms. Fonda has otherwise held forth with scalding clarity. His disparaging comments about his daughter's physical appearance in her youth had devastated her for much of her life.

Still, her brother had it much harder, Ms. Fonda asserts. Nevertheless, an entirely intact-looking Peter Fonda makes a brief appearance and delivers a brutally succinct commentary on his father. It isn't that Henry Fonda wasn't a loving person, he explains. It's just that he had no character with a script that said "Henry Fonda: I love you, son." If he had, he would



Clockwise from above: Roger Vadim (left) and Jane Fonda (right) in Las Vegas on their wedding day, 1965; Ms. Fonda speaking at an antiwar rally in San Francisco, 1972; Ms. Fonda in the early '80s

she has many times before, an event she will go to her grave regretting. But for her life as a political activist, antiwar activities included, she's prepared to make no apologies.

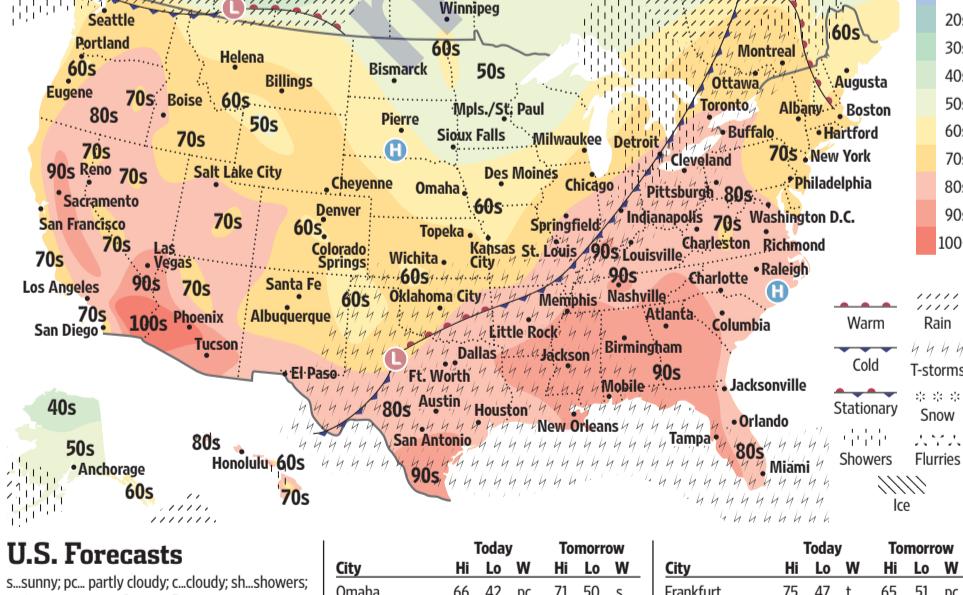
The most colorful aspect of her activist life, if a domesticated one, appears in the chapter the film devotes to her marriage to New Left political star Tom Hayden. It's a compelling tale of like-minded rebels seriously in love, filled with plans for a transformed society hatched in a run-down house Jane's father described as a shack—a chapter not to be missed if only for the hilarious description of life there delivered by Troy Garity, the son born to Hayden and Jane. The marriage did not last. Tom left for someone else—his wife had perhaps become too successful a revolutionary for him, what with that exercise book on a best-seller list for two years raking in millions.

She would survive this loss and then some.

It's hard to overstate the pleasures of this film or, more precisely, this encounter with its subject.

**Jane Fonda in Five Acts**  
Monday, 8 p.m., HBO

### Weather



### U.S. Forecasts

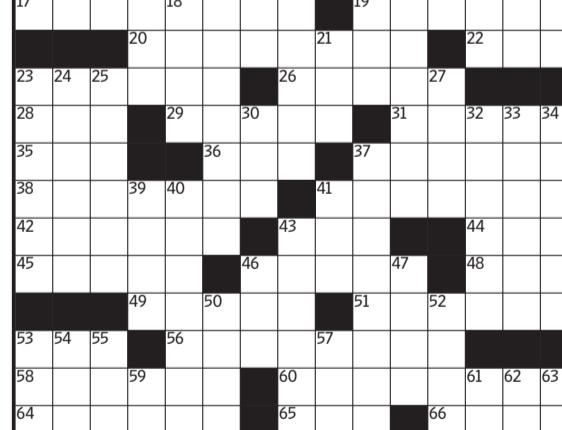
S=sunny; pc=partly cloudy; c=cloudy; sh=showers; t=tstorms; r=rain; sf=snow flurries; sn=snow; l=ice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	57	51	c	60	50	r
Atlanta	90	72	pc	89	71	s
Austin	88	75	t	84	69	t
Baltimore	79	67	pc	78	60	pc
Boise	82	54	s	82	51	pc
Boston	73	65	pc	74	55	pc
Burlington	75	53	sh	64	45	pc
Charlotte	87	66	s	88	67	s
Chicago	74	54	pc	67	51	pc
Cleveland	89	70	t	66	52	pc
Dallas	86	70	t	74	67	t
Denver	77	50	pc	85	53	s
Detroit	86	53	t	67	51	pc
Honolulu	88	76	s	87	76	t
Houston	88	76	t	86	74	t
Indianapolis	85	57	t	69	52	pc
Kansas City	68	47	pc	70	51	s
Las Vegas	97	77	s	99	78	t
Little Rock	89	65	t	72	65	r
Los Angeles	83	62	s	87	66	s
Miami	88	79	sh	88	79	t
Milwaukee	71	50	pc	62	51	s
Minneapolis	57	43	pc	65	49	pc
Nashville	90	71	pc	81	67	t
New Orleans	90	78	t	89	77	t
New York City	76	68	s	75	60	pc
Oklahoma City	75	55	r	68	60	r

### International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	62	51	sh	60	51	pc
Athens	84	75	s	86	67	s
Baghdad	109	78	t	108	77	s
Bangkok	92	77	t	91	77	t
Beijing	79	55	s	76	52	pc
Berlin	85	51	t	64	50	pc
Brussels	65	50	pc	61	52	r
Buenos Aires	78	61	p	84	57	t
Dubai	104	87	s	103	89	s
Dublin	58	43	sh	54	50	r
Edinburgh	57	44	s	56	40	pc

### The WSJ Daily Crossword | Edited by Mike Shenk



#### BOUNDFOR SPACE | By Marie Kelly

The answer to this week's contest crossword is a five-letter word.

#### Across

- 1 Thing that you need to cross space to reach
- 5 Base watcher
- 8 Stomachs
- 14 Do with a pick
- 15 Colleague of Morpheus and Trinity
- 16 Extreme folly
- 17 Carefully calculated (8)
- 19 1964 loser to Clay

► Email your answer—in the subject line—to [crossovercontest@wsj.com](mailto:crossovercontest@wsj.com) by 11:59 p.m. Eastern Time Sunday, Sept. 23. A solver selected at random will win a WSJ mug. Last week's winner: Sean Forbes, Crest Hill, IL. Complete contest rules at [WSJ.com/Puzzles](http://WSJ.com/Puzzles). (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

### PUZZLE CONTEST

65 Homer exclamation	30 Calais king
66 Zest	32 Hamper
67 Old merchant ship	33 Square
68 Tolkien's Treebeard, e.g.	34 Carefully pass
69 Vodka in a blue bottle	37 Proceeded perfectly
<b>Down</b>	
1 Yoga class need	39 Wineglass part
2 Birds-feather connection	40 They're taken into account
3 Tolkien's Azog, e.g.	41 Have permission to
4 "Au contraire!"	43 Absurd pretense
5 Rampant	46 Physicist with an electrical law
6 Average	47 Undefined quantity
7 Alpha Ursae Minoris	50 Patty's identical cousin on "The Patty Duke Show"
8 Basketball Hall of Famer Iverson	52 Chicago suburb
9 They have lots to deal with	53 Great Sphinx setting
10 Powerful group	54 Worry, they say
11 Android officer on the Enterprise	55 Summoning signal
12 Earth sci.	57 Shortly, to Shakespeare
13 Last word of a seasonal song	59 Hermano de tu madre
18 Minuteman, e.g.	61 Sort
21 Move up and down	62 Low island
23 They can give you an edge	63 Undefined quantity
24 Service part	
25 Decline	
27 Top level in the draft	

#### Previous Puzzle's Solution

A	J	A	R	A	R	A	B	S	T	A	Y
I	O	W	A	D	I	G	U	P	H	I	L
D	E	L	I	A	T	A	R	I	E	V	E
I	S	I	T	M	E	S	U	V	K	Y	E
N	G	H	T	S	H	I	F	T	K	Y	E
G	H	T	S	H	I	F	T	K	Y	Y	E
T	R	O	I	I	S	R	E	E	L	M	E
R	O	I	I	S	R	E	E	L	M	E	E
O	N	O	G	A	M	A	L	L	S	L	L
O	N	O	G	A	M	A	L	L	S	L	L
U	Z	I	Z	O	L	L	O				

## LIFE &amp; ARTS

## FILM REVIEW

# 'Fahrenheit 11/9': Hot and Bothersome

BY JOHN ANDERSON

**MICHAEL MOORE'S** career is one of the great American con jobs, not that it doesn't make a certain historical sense. His fan base is small, but ardent. He appeals to his viewers' worst instincts. He tells them exactly what they want to hear. He conveniently ignores anything that doesn't buttress his own arguments. He borrows ideas from the most dubious sources. His *raison d'être* is self-promotion. Some might go so far as to call him the left's version of Donald Trump.

Which is funny, because "Fahrenheit 11/9," Mr. Moore's latest catalog of political woes—many of which, by the way, are perfectly legitimate—is presented as being a documentary about the state of Trump America; the poster for the film is a highly unflattering shot of the presidential rear end, midswing at a golf course. But Mr. Moore, who hasn't made anything close to an honest film since "Bowling for Columbine" (2002), is immune to his own irony: One of the chief plaints of "11/9"—in which he trashes Barack Obama, Hillary Clinton, the New York Times, the entire Demo-



Michael Moore at a March for Our Lives meeting, above, and spraying water, below

catic establishment and anyone who predicted a Clinton win in the 2016 election—is about the media's slavish attention to Mr. Trump. In a movie devoted to Mr. Trump.

But there's more than a little bait-and-switch going on in "Fahrenheit 11/9," and it raises the question of what exactly Mr. Moore is, other than a propagandist. He's not a journalist, except of the online-aggregator variety—there's not much in "11/9" that one wouldn't get during an evening's viewing of MSNBC. Almost the entire movie is lifted from other sources, and then edited in a way that makes his enemies (do they know they're his enemies?) look as foolish as possible. The puntnity is trite. The snark is boring.

It's not that Mr. Moore has no leg to stand on, even as his movie makes its hard left turn away from its ostensible subject. His was the most prominent liberal voice warning about Mr. Trump's appeal to Midwestern blue-collar voters. He's correct that West Virginia teachers shouldn't be paid so little that they qualify for food stamps. He's right that the poisoning of Flint's water was a moral and political disgrace. His support for the students of Marjory Stoneman Douglas High School is perfectly legitimate.

But if Mr. Moore is going to castigate Mrs. Clinton for her various electoral missteps—among them, devoting insufficient attention to Mr. Moore's beloved upper Midwest—shouldn't he mention that despite losing in the Electoral College she still won the popular vote

by 3 million? That Bernie Sanders, whom he obviously reveres, bears his own culpability for what we have now? And Jill Stein? And the Russians? Actually, Mr. Moore does admit at the beginning of the film, "Yes, it was the Russians, and yes, it was James Comey," but he doesn't let that get in the way of his not-so-well-tailored hit list.

And then there's the Hitler stuff. As many have said—on air, in print and everywhere else—the casual reduction of Trumpites to Nazis is fraught with overreach and peril. But because Mr. Moore is first and foremost a provocateur, he dives right in, finding no end of parallels between the Trump administration and the rise of '30s National Socialism. The banning of a German team for failing to give the Heil Hitler salute is made analogous to Mr. Trump's condemnation of NFL players for taking a knee. Echoes of the Holocaust are heard in the cries of children seized at the Mexican border. And because Mr. Moore can't help himself, he uses footage of Adolf Hitler lip-syncing a Trump speech. Much has been made of Mr. Trump's questionable maturity. He has a kindred spirit in Michael Moore.

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

## FILM REVIEW

# 'Colette': Literary History With a Modern Flavor

BY JOHN ANDERSON

**DIRECTOR WASH WESTMORELAND'S** casually sumptuous "Colette" might have the viewer thinking of the films of Merchant Ivory at some point in the proceedings, even though the movie has anything but Merchant Ivory intentions. There is the same precise attention to visual detail, yes, and a similar immersion in locale—in this case, *fin de siècle* Paris. But where the characters of, say, "A Room With a View" were creatures of their time, the population of "Colette" straddles several eras at once, arms akimbo.

One could say the same about the movie's subject, the celebrated French writer, libertine and *grand-mère* of feminist fiction, who is probably most famous now for "Gigi," the 1944 novella on which the 1958 Lerner and Loewe movie musical was based. "Colette" begins in 1892 Saint-Sauveur-en-Puisaye, where a girl in braids is being wooed, and more, by an older, presumably wiser visitor from Paris. But "Colette" is not really a coming-of-age story, except as regards France itself. It's a liberation story, one witty enough to be worthy of its subject.

Much of this has to do with the mischievous screenplay by Mr. Westmoreland, Rebecca Lenkiewicz (of the glorious "Ida") and Richard Glatzer, who died in 2015 of complications from ALS. But it's also about the casting. As Colette, Keira Knightley is certainly the star of the film, and just as surely a 21st-century creature—it's evident in every line she delivers and every move she makes. Her Colette is precociously savvy from the start, even while making a literary star of her husband with the scandalous "Claudine" novels she writes under his name, and which become the rage of hipster Paris.

But it's Dominic West's performance as Willy—Colette's husband, betrayer, and a monument to blinkered masculinity—who makes this "Colette" possible: For all his *joue de vivre* and bluster, Willy is a man out of his depth in playing himself. His life is a performance and he's not a good enough actor. Co-

lette develops and changes and is the protagonist in the classic sense because of her transformation from enabling spouse to bisexual adventuress to stage performer to full-blown literary celebrity. Willy, on the other hand, represents stasis, despite all his self-indulgent moral flexibility. And the performance is an enigma, an actor playing a bad actor giving a flawed performance (think Kim Novak in "Vertigo"). If there's a lack of dramatic/romantic urgency between Willy and Colette, it's because Willy lacks the capacity for it. He's a tragic figure in his own way, though his thwarting of Colette also makes him a demi-villain.

"Colette" is a character-driven movie, but also one that is sending a message about social mores and their malleability. The sense of epoch is enhanced by the use of period music—Debussy, Satie, Saint-Saëns—along with Thomas Adès's original score.

There are also some lovely directorial grace notes amid the din of the Moulin Rouge and the domestic chaos and the changing of sexual partners and the financial shenanigans. When Willy escorts Colette through some trees to the country house he's bought her—with the money she's made—he neglects to hold a branch, which snaps back at her. It's a smart, offhand moment. So is an exchange between Colette and her mother (Fiona Shaw), who has just lost her husband and, not coincidentally, found the strength to tell her daughter she should dump her husband. Colette won't really be Colette until she does, but she—like us—can't help but have a soft spot for the old roué. And that's what makes the film much more than social critique.



Denise Gough as Missy and Keira Knightley as Colette

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## SPORTS



FROM TOP: BRETT CARLSEN/GETTY IMAGES; ADRIAN KRAS/ASSOCIATED PRESS

NFL | By Jason Gay

# The Magic of Bailing Early

Buffalo Bills cornerback Vontae Davis leaves a game at halftime—was it treasonous, or secretly brilliant?



**My favorite story of the NFL season thus far? Easy: the player who retired from the Buffalo Bills...at halftime.**

The player is Vontae Davis, a 30-year-old cornerback who played 10 seasons...well, nine seasons and one half of one game before abruptly pressing the eject button on his career.

Honestly, it's hard to blame him. The Bills are perhaps the worst team in the NFL this year. They were down 28-6 after two quarters to the Los Angeles Chargers, and Davis decided enough was enough. As his teammates strapped on their helmets to resume the beating, Davis opted out. No mas. He was done.

"This isn't how I pictured retiring from the NFL," Davis said in a statement after the game. "But today on the field, it really hit me hard: I shouldn't be out there anymore."

Of course, the NFL is a sport of tough guys, and the tough-guy NFL brethren reacted rather uniformly: Davis quit on his team. He let down his teammates. He disrespected the sport. He embarrassed himself.

Shame, shame, shame.

I understand why football people are furious. It's a rather shocking maneuver. Football's a team sport. If you show up for the first half, you really ought to show up for the second half. It's a violation of the social contract.

It isn't just football. When the going gets tough...oh you know the rest. It's the American way. The pioneers didn't stop at the Mississippi. Mount Rushmore isn't just Washington and Jefferson. If there are Bills fans willing to sit through entire Bills games, then the actual Bills should do so, too.

And yet I don't say this lightly...Vontae Davis is my new hero.

Who hasn't wanted to bail halfway through on a misery-making activity? Pull the rip cord, do something else, move on.

Have you ever sat through a 9 a.m. work meeting? Of course you have. You would probably saw off your arm to leave halfway through one of those.

*OK, now Ted from accounting is going to give an update on Q3 revenue...*

*Sorry, everyone, I'm leaving. But Ted hasn't even started!*



Vontae Davis decided to retire at halftime of a Sept. 16 game against the Los Angeles Chargers.

Have you ever been to a corporate retreat? It's a rule that those things are twice as long as they're supposed to be. By the second group breakfast, you want to run out into the wilderness and get eaten by bears.

*Where's Andrea?*

*She left.*

*But we're not even halfway through the retreat. We're supposed to do trust falls.*

*I think that's why Andrea left. She Vontae'd it.*

*She what?*

Andrea may get fired, but her remaining colleagues will speak of her like a legend. *Remember when Andrea Vontae'd the corporate retreat?*

There are so many other overlong endeavors in life worth Vontae-ing: office holiday parties; destination weddings; school plays; 43rd birthday parties (nobody cares you turned 43). You've probably wanted to Vontae out of a few parents nights, graduation ceremonies, summer cocktail parties and slideshows.

*Have you seen Calvin?*

*He Vontae'd.*

*But we haven't even gotten to our Yosemite photos!*

*I think that was the idea.*

Movies, too. Who hasn't wanted to Vontae halfway through a bad movie? Conference calls—has anyone actually listened all the way through a conference call? By the end of the 45-minute call, everyone on the line is looking at dog photos on Instagram.

Finally, football. You don't need me to tell you that a lot of NFL games are unbearable toxic sludge. They take nine hours, the coaching is fetid and the quarterbacks look like they learned to throw the ball yesterday.

And that's just watching it.

Imagine playing in it.

Again: I'm not trying to excuse what Vontae Davis did. I know the Bills were bothered. I don't expect football fans to empathize with a player who left a game. Football is about taking the punishment until the very end.

But did you hear what Davis said afterward?

"I feel great," Davis told The Undefeated's Domonique Foxworth. "I haven't felt like this...well, in my whole life."

Exactly. Sometimes one half is more than enough. Especially at that morning meeting.

## SOCCER

## DEFENDERS ARE ON THE OFFENSIVE

BY JOSHUA ROBINSON

**London** THEY ARE SCORING from set pieces. They are scoring from tight angles. And they are even scoring from 25 yards out. But above all, they are scoring more than ever before in the English Premier League.

Defenders, those big lugs with reputations for having the finesse of a station wagon, are in the middle of their offensive moment.

Five weeks into the season, defenders have already found the net 24 times, accounting for 16% of all goals scored in the Premier League, according to Opta Sports. In most seasons, the share of goals scored by defenders hovers between 9% and 12%. They are comfortably on pace to shatter the 25-year-old Premier League record of 171.

The reasons range from evolving tactics in English soccer to the changing profile of the athletes in defensive positions. What they all add up to is one of the clearest signs of where soccer in this country is heading.

In the past six years, 13 teams have averaged more than two goals per game. Two have even managed to cross the 100-goal mark in a single campaign, including Manchester City's record of 106 last year. The takeaway is obvious: with top teams setting a higher pace all the time and English soccer philosophy growing more offensive, a nose for goal is now essential no matter where you play.

That coincides with recent strategic shift among title contenders to three-central-defender systems. Former Chelsea manager Antonio Conte set the trend with halftime tweak in a game against Liverpool in 2016-17. By relying on it for the rest of the season, he guided the Blues to the title.

The formation pushes players who would have been fullbacks in four-at-the-back setups wider and higher up the field. It also requires them to contribute more going forward. "The system changed, but the principles are the same," Conte said at the time. Those principles were to surge forward in numbers and to take up sometimes improbable positions.

No one embraced that like Chelsea's Marcos Alonso, who banged in seven goals last season as a left wingback. Across town at Arsenal, where the Gunners also switched to a formation with wingbacks, defender Nacho Monreal managed five league goals, one more than his playmaking Arsenal teammate Mesut Ozil.

But what makes Alonso—and not, say, Monreal—the ideal prototype of the attacking wingback is that he isn't built like 99% of the wingbacks who have come before him in England. Most are repurposed fullbacks, who tend to be diminutive, quick, and useless in the air. Alonso is 6-foot-2 and doesn't do much run as he gallops.

Not only does he charge forward to contribute to the buildup, but once he is in the attacking third, he defies orthodoxy and makes straight for the penalty area. In-



Burnley defender James Tarkowski scores a goal against Fulham during a match on Aug. 26.

stead of being a player who delivers crosses, he bamboozles defenders by getting on the end of them.

"He is maybe the best in Europe," Conte's successor at Chelsea, Maurizio Sarri, said of Alonso. "His physical qualities are at the top level. He's doing very well in the offensive phase."

The arrival of Pep Guardiola in English soccer in 2016 brought its own step forward in the attacking reinvention of defenders. Not satisfied with simply relying on the power and aerial ability of his cen-

terbacks to help out with the odd goal from a set piece, he sought to transform their role entirely at Manchester City.

Snuffing out opposition attacks remained the key task, but he expected them to start offensive moves from the back.

It didn't necessarily put them in more positions to score, but it radically altered the mindset.

"Being a central defender in our team is not easy," Guardiola said. "They have to do more than just defending. It is so demanding."

Outside of the Premier League, this new breed of attacking defenders has some wondering whether something is being forgotten. Juventus and Italy defender Giorgio Chiellini, a dean of the old school of centerbackery, suggested that Guardiola style defending came at the cost of certain fundamentals.

"Now defenders know how to set the tone of play and they can spread the ball, but they don't know how to mark," he said in the Champions League last season. "We're losing our DNA a bit."

## OPINION

# The GOP Can't Win for Losing



POTOMAC WATCH  
By Kimberley A. Strassel

As the battle over Brett Kavanaugh rages on, pundits continue to speculate about what an unproven sexual-misconduct claim might mean for the future makeup of the Supreme Court, for subsequent nominations and for the credibility of the #MeToo movement.

In the halls of Capitol Hill, the question centers on a much more immediate and political question: the fate of the Republican Party. The overwhelming verdict—on right and left—is that if Judge Kavanaugh goes down, so too does the GOP in the upcoming midterms.

For now, the distinguished circuit-court judge is on track for confirmation. Senate Judiciary Chairman Chuck Grassley has handled Christine Blasey Ford's 36-year-old accusation with enormous accommodation, inviting her to give evidence in any manner of her choosing—a public or private hearing, in Washington or California, in person or over the phone. Her decision to join with partisan Democratic calls for an FBI investigation, and her refusal to provide testimony in any form for a Monday hearing, has troubled Republican senators who insisted she be heard.

Tennessee's Bob Corker put the point clearly in a tweet on Monday: "Republicans ex-

tended a hand in good faith. If we don't hear from both sides on Monday, let's vote." Even undecided Republican senators understand the Democratic playbook and appreciate how unjust it would be to allow a vague, uncorroborated claim to derail Judge Kavanaugh's career and reputation—especially if his accuser won't even put her claims in the Senate record.

But with Democrats and their media allies stopping at nothing to derail this nomination, even confident Republicans have been forced to consider the prospect of a defeat. A few GOP optimists, inside and outside the White House, are spreading the claim that a Kavanaugh loss could have a midterm upside. The argument: Candidates would light up the base by highlighting Democrats' ambush tactics.

President Trump would name a new nominee, and voters would rush to the polls to guarantee a GOP Senate and an ultimate confirmation.

And then a flock of porcine wonders will fly.

Wiser Republicans note there's a reason Spartacus & Co. are working so hard to defeat this nomination. It's partly because they despise Judge Kavanaugh's philosophy and fear a fifth conservative on the high court. It's partly because they want to spare their red-state colleagues a difficult choice before the midterms.

But it is mostly because it is a *fabulous* issue with the Democratic base. Nothing would more energize that part of the

electorate than a Kavanaugh scold.

It would signal the "resistance" is effective and spur an avalanche of votes for liberal candidates who promise continued obstruction of Mr. Trump's agenda. Democrats will promise that Senate control would allow them to block any replacement nominee as well and keep the seat open until Democrats take the presidency in 2020. For voters still smarting over Merrick Garland, that's the ultimate motivator.

## A Kavanaugh defeat would demoralize the Republican base, not energize it.

Republican voters? Oh yes, the base is furious over the Democratic treatment of Judge Kavanaugh. They are angry over the theatrical and uncivil hearings. They are riled up over this late and dirty Democratic hit, the releasing of an accuser's letter months after it was first obtained.

But listen to those base voters on Twitter, on radio, in public forums. They are prepared to release most of their rage over any Kavanaugh defeat on the Republican Party. One of their abiding complaints is that GOP politicians too easily succumb to liberal tactics. It is among the most cited reasons they voted for Mr. Trump—that (for better

or worse) he doesn't back down. And while some are tolerant of a process that allows this accuser to speak, what the base mostly sees is an old, unsubstantiated, unprovable claim, and a partisan smear designed to deny a duly elected president his Supreme Court pick.

These voters handed Republicans control of the White House and Congress in large part to oversee these Supreme Court fights. Republicans have 51 votes, a sterling candidate, and no excuses. Good luck to any GOP candidate who turns around and promises a new nominee after a Kavanaugh fail. Why would or should voters believe Republicans would get it done the next time? Especially given that Democrats know they can repeat the ambush exercise. Among the reasons base Republicans lag Democrats in enthusiasm for this election is bitterness that the GOP failed in core promises to repeal ObamaCare and to restrain spending. A blown Supreme Court nominee would make matters far worse.

A newly minted Justice Kavanaugh is a crucial part of any winning 2018 message. His confirmation would be proof Republicans are willing to fight for and fulfill promises. It won't guarantee that they'll win the midterms and retain their majorities. But it will guard against the drubbing they'd receive from their own voters if they bow now to Chuck Schumer's underhanded tactics.

*Write to kim@wsj.com.*

BOOKSHELF | By Andrew R. Graybill

# Oklahoma OK'd

## Boom Town

By Sam Anderson

(Crown, 427 pages, \$28)

In 1990, United Airlines was in search of a home for its new repair center. Dazzled by the prospect of 8,000 new jobs and \$700 million in revenue, Oklahoma City launched an aggressive campaign to lure the facility. To help fund some of the incentives used to tempt the company, residents agreed to a \$120 million tax hike. Boosters took out an ad on a billboard outside United's Chicago headquarters imploring the airline to "Come Fly the Friendly Skies of Oklahoma City." But in the end Indianapolis won the day. As Sam Anderson writes in "Boom Town"—a book about the city's "chaotic founding, its apocalyptic weather, its purloined basketball team, and the dream of becoming a world-class metropolis"—United's CEO conceded that while Oklahoma City's proposal was easily the best of the lot, the city lost out because "United could not imagine making its employees live there." Thanks for playing.

Civic redemption wouldn't come for another two decades, arriving with the Oklahoma City Thunder basketball team, which in 2008 relocated from Seattle (where it was known as the SuperSonics). The Thunder's swift success instilled fierce pride in a city desperate to be taken seriously. In braiding together these two narratives—the weird and often sordid history of what Mr. Anderson calls "the great minor city of America" and the story of its hijacked NBA team—"Boom Town" serves as a guidebook to a corner of America by turns utterly unfamiliar and easily recognizable.

Mr. Anderson came to see just how closely Oklahoma City and its new sports franchise resemble each other when he visited the city in 2012 on assignment for the New York Times Magazine, where he is a staff writer. He found the parallels striking, especially the churning cycles of boom and bust.

Oklahoma City had its origins in the 1889 Land Rush, when at noon on April 22 the U.S. government opened the Unassigned Lands of the Indian Territory (to which Native peoples had been removed for decades) to settlers eager to stake their claim. The city lurched forward again during the Great Annexation of 1959-62, when it devoured its surrounding municipalities and swelled almost eightfold to more than 600 square miles.

The Thunder's rise was similarly quick. Rebounding from a 20-62 final season in Seattle, the team made the playoffs during its second campaign in Oklahoma City, only to be eliminated in the first round. Two years later, it advanced to the finals. With three of the finest young players in the league on its roster—Kevin Durant, Russell Westbrook and James Harden, who boasted the most famous beard in sports—by June 2012 the Thunder seemed poised to remain a championship contender for the rest of the decade.

## A visiting writer from New York finds close parallels in the boom-and-bust fortunes of a Midwestern city and its basketball franchise.

Then came the bust. The Thunder refused to offer Mr. Harden a maximum-contract extension. Instead he was traded to the Houston Rockets, where he became a bona fide superstar, later winning the league scoring title and most-valuable-player award. For its part, in 2012-13 the Thunder had its best season, winning 60 games and securing the top seed in the Western Conference. But then Mr. Westbrook suffered a freak knee injury and his team was eliminated in the second round of the playoffs. The Thunder has yet to return to the finals. Mr. Durant defected during the 2016 off-season to the Golden State Warriors, where he has won two championships and was named the NBA Finals MVP both times.

Oklahoma City's history is replete with similar implosions. In 1889, city leaders dreamed up the Grand Canal, intended to corral the hydraulic power of the North Canadian River in the "glorious tradition" of the Panama, Suez and other such waterways; but shortly after completion, the ground swallowed up the water and the ditch ran dry.

In the mid-1960s, the city hired architect I.M. Pei to develop a master plan for urban renewal. The resulting design consisted mostly of demolishing an enormous swath of downtown, including multiple historic buildings, to make way for parking lots and a new convention center. The Myriad, as the center was initially called, opened in 1972; by 1989, during the centennial celebration of the Land Rush, its roof "leaked" so badly that dinner guests had to hold umbrellas. The next year United chose to fly the friendly skies of Indianapolis.

Mr. Anderson writes about Oklahoma City with zeal and devotion, his rollicking prose perfectly suited to Oklahoma City's boom mentality. He expertly deploys singular characters to illustrate the city's strangeness, from meteorologist Gary England, who became a household name by reporting on the tornadoes that regularly menace the city, to Wayne Coyne, the lead singer of the Flaming Lips, who, as his hometown's merry prankster, drags Mr. Anderson into various hijinks. But there are poignant and deeply compassionate sections in the book, too. Among them is a frank assessment of Oklahoma City's tortured racial history, focusing on the little-known but indefatigable civil-rights activist Clara Luper. There's also a meditation on the 1995 bombing of the Alfred P. Murrah Federal Building by Timothy McVeigh.

What distinguishes Oklahoma City from other midsize metropolitan also-rans—which, according to Mr. Anderson, include Memphis, San Antonio and "the Portlands" (Oregon and Maine)—is that it is "an unlikely, unreasonable, and arbitrary place, a city that came into being outside the normal run of history . . . a pure city" created deliberately and in defiance of the laws of geography and economics governing most other urban areas. One might not want to live there, or perhaps even pay it a visit. Mr. Anderson certainly doesn't seem inclined to decamp from his perch in New York. But the city demands attention. Take that, Indianapolis.

Mr. Graybill is the chair of the history department and co-director of the William P. Clements Center for Southwest Studies at Southern Methodist University.

## Coming in BOOKS this weekend

Benjamin Rush, the American Hippocrates • The letters of Lionel Trilling • Spies & newsguys • East German punks • The women of Abstract Expressionism • Kate Atkinson's 'Transcription' • Sam Sacks on fiction • & more

# The Faith Behind Liberal Fundamentalism

HOUSES OF WORSHIP  
By Jillian Kay Melchior

There's a good chance you've never heard of bell hooks, or recognize the name only vaguely. But if you follow the turmoil on American college campuses, you're indirectly aware of her influence. Leftist scholars—and nonscholars too, increasingly—put her in the pantheon of thinkers whose names every educated person should recognize: Plato, Descartes, Marx.

Born Gloria Jean Watkins in 1952, Ms. hooks uses a lowercase pen name "to focus attention on her message rather than herself," the Encyclopaedia Britannica reports, not altogether plausibly. That message begins with the "intersectionality" theory—the claim that racism, sexism and similar types of oppression compound each other's effects—and advises social-justice warriors (or SJWs) on how to respond.

SJWs often resemble religious fundamentalists, and faith and spirituality are central to Ms. hooks's vision. "Truly, there can be no feminist transformation of our culture without a transformation in our religious beliefs," she writes in "Feminism Is for Everybody" (2000). She describes "fundamentalist patriarchal religion" as a barrier to "the spread of feminist thought and practice."

She reserves particular vitriol for Christianity, "which condones sexism and male

domination" and "informs all the ways we learn about gender roles in this society." But Ms. hooks's take on Christianity draws more from experience than scholarship. In "Homegrown: Engaged Cultural Criticism" (2006), she describes attending a church where "on Sunday girls couldn't wear pants, we couldn't play music, and we couldn't walk across the pulpit." Fundamentalist Christianity instilled a sense that "the female body is tainted, soiled and sinful."

Ms. hooks may scorn Christianity, but she appropriates its ideas heavily. If intersectional feminism is a faith, "Feminism Is for Everybody" is its bible, a tract "that will explain feminist thinking, one that you can take home and share with relatives, with your parents, your grandparents, your church members."

Bias functions as original sin: "All of us, female and male, have been socialized from birth on to accept sexist thought and action." There's potential for redemption, or "release from the bondage of patriarchy." Salvation requires conversion, faith and works: "Feminists are made, not born," and "one becomes a believer . . . through choice and action."

Ms. hooks's feminism is a proselytizing religion: "Imagine a mass-based feminist movement where folks go door to door passing out literature, taking the time (as religious groups do) to explain to people

what feminism is all about." Substitute "consciousness-raising sessions" for church services. Older feminists serve as pastors and elders, ready to "teach new converts to feminist politics what must be done to create, sustain, and protect our solidarity."

Ms. hooks's feminist faith rivals her childhood church in its dogma. She claims "the

soul of our politics is the commitment to ending domination." Nonetheless, "Feminism Is for Everybody" tells women what they should believe, think and do. Far from being a statement of inclusivity, the title is an assertion of authority.

Ms. hooks bemoans the assumption "that no matter what a woman's politics, be she conservative or liberal, she too could fit feminism into her existing lifestyle." She allows room for feminist Christians—but only if they renounce core

"notions of fall and redemption" for "new and creation-centered critiques and interpretations of the Bible."

Spiritual liberation instead lies with a vision of social change which challenges class elitism," along with other oppressive isms. To this end, Ms.

Harrison and the other "analysts" employed by the NFL and its affiliates. In this season's opening week, Mr. Harrison correctly predicted the winner in 11 of 15 contests (the 16th game ended in a tie). He offers such detailed forecasts as, "Could see Tennessee getting a late field goal to win" and "Don't see the Colts holding up out east this weekend." It must be depressing for players to find themselves trashed in their own league's analysis.

The Supreme Court was correct to return control of sports gambling to the states. But the league should abandon the monopolistic idea of forcing casinos to buy its data. It should also get out of the touting business and distance itself from anything else that hints at impropriety.

To do otherwise would be the ultimate sucker bet.

Ms. Melchior is a Journal editorial page writer.

# Football Goes Long on Gambling

By Peter Funt

Elliot Harrison works for a multibillion-dollar limited-liability company, where he studies research reports, crunches numbers, and prepares weekly forecasts about how well his organization's 32 units will perform.

Odds are you're thinking Mr. Harrison's employer is a blue-chip firm and that his forecasts are for internal use. In fact, he works for the National Football League, and the predictions he makes about his employer's teams are for public consumption.

Mr. Harrison's official title is "analyst." A better description would be "tout." His work is an example of how the NFL is hedging its bets in the burgeoning world of sports gambling.

Last May a U.S. Supreme Court decision allowed states to legalize commercial betting on athletic events. A Nielsen study estimated the NFL could

make \$2.3 billion in a mature domestic gambling market.

The NFL's position on gambling sometimes appears schizophrenic. The league joined the parties urging the court to keep restrictions on its activities. Its commissioner, Roger Goodell, continues to pay lip service to protecting the integrity of the game from the evils of gambling.

In the new world of sports betting, ethics could get spiked.

Yet the NFL endorses fantasy-football wagering, in which participants effectively bet on the performances of individual players. The league seems to have even lifted the prohibition on its own players' participation in fantasy betting, as evidenced by 49ers defensive star Richard Sherman's recent announcement

that he is launching a fantasy-wagering website.

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Mr. Funt is a writer and host of "Candid Camera."

## OPINION

## REVIEW &amp; OUTLOOK

## Sharing the Wealth of Markets

**I**nvestors have long debated whether companies are better off going public or staying private. But the real debate worth having—and which Congress and the Securities and Exchange Commission have teed up—is how to encourage more liquidity and participation in capital markets. Thursday's new stock-market highs highlight the need to share America's economic gains more broadly.

The ballad of languishing public markets has been sung many times. Start-ups are spurning public markets for flush private investors. Companies from health insurer Cigna to Samsung have recently launched venture-capital arms. Softbank's Vision Fund has invested \$100 billion in start-ups such as Slack, Uber and DoorDash.

For the last three years, start-ups have raised more money through private stock issuances than initial public offerings, and the number of IPOs has declined by half over the last two decades. Companies are generally waiting longer to go public, which is causing mom-and-pop investors to miss out on the early growth of start-ups.

Consider: Amazon made its public debut three years after launching. Google waited six years, and Facebook delayed going public for eight. Brian Chesky, who launched the home-sharing start-up Airbnb a decade ago, said this summer that his company will "be ready to IPO next year, but I don't know if we will." The 19-year-old SurveyMonkey finally filed for an IPO this year.

Private investors provide critical seed capital and can be more forbearing than public markets. Staying private also lets start-ups shroud their financial data from competitors. The problem arises when onerous securities regulations deter companies from selling shares to the public and thus lock out small investors.

The House this summer passed bipartisan legislation (JOBS 3.0) midwifed by Financial Services Chairman Jeb Hensarling that includes 32 measures to relax securities regulations and promote capital formation. One would allow entrepreneurs to pitch angel investors at "demo days" without running afoul of the SEC.

Another would broaden a provision in the 2012 JOBS Act that has let emerging companies—those with gross revenue under \$1 billion—confidentially submit paperwork to the SEC and "test the waters" with investors before filing for an IPO. SurveyMonkey has taken advantage of this provision.

Expanding this to all companies would en-

courage larger start-ups like Airbnb to feel out public markets and give them flexibility to delay IPOs if they discover conditions aren't ripe. Many start-ups are reluctant to initiate the IPO process because analysts may view a retreat as a sign of weakness.

The House legislation would also provide small investors more access to private markets by instructing the SEC to broaden its definition of an "accredited investor." The SEC currently limits private companies to marketing securities to households with more than \$1 million in net worth or \$300,000 in annual income.

This restriction is intended to protect unsophisticated investors with fewer financial resources to cushion losses. Private companies aren't required to provide robust financial disclosures to shareholders or perform rigorous internal audits. But this SEC rule has reduced market liquidity.

Consider a manufacturing start-up in, say, Cleveland, where there are few venture capitalists. With limited access to private funds, the start-up will have trouble getting off the ground. Meantime, an engineer who thinks the start-up has promise can't invest unless he meets the SEC's financial requirements. Start-ups, especially in non-tech fields, would benefit from access to a larger pool of private investors. And small investors would benefit from a broader spectrum of opportunities.

\* \* \*

Enter SEC Chairman Jay Clayton, who is examining ways to make it easier for individuals to invest in private companies. "There are complex offerings where you need a lawyer of the type that I was in the private sector, but you shouldn't have to hire a high-powered Wall Street lawyer to conduct every private placement," Mr. Clayton said last month.

Mr. Clayton has suggested letting individuals with professional licenses or advanced degrees qualify as accredited investors. One irony is that banks, private-equity companies and venture-capital firms hire individuals with advanced degrees to evaluate companies who themselves may be barred from buying shares in companies they recommend.

If the SEC eases restrictions on private placements, the agency and Justice Department could still intervene to protect investors from fraud. Mr. Clayton plans to issue a white paper soon with other ideas to expand public access to private companies, and the Senate ought to pass the House measures. By making public and private markets more fluid, Congress and the SEC could increase investment in both.

## The New New Normal?

**T**he economy is doing so well these days that even Barack Obama recently emerged 20 months after he left office to claim credit. Perhaps he'll give another speech after Thursday brought more news that the days of economic malaise are over.

On Thursday morning the Labor Department announced that the number of Americans who filed new unemployment claims last week hit a new low for the current expansion. The seasonally adjusted figure, 201,000, was down 3,000—the lowest since November 1969. Part of the dip could be due to fewer claims in areas affected by Hurricane Florence. But the drop was even steeper in a few states like Illinois, and anyway the four-week average is at a record low too.

Then on Thursday afternoon the stock market, shrugging off President Trump's latest tariffs, surged to a new high. At market close the

Dow Jones Industrial Average was up 1%, enough to beat its January record. Other indexes followed suit. Mr. Trump, responding to the news on Twitter, seemed to break his caps-lock key: "S&P 500 HITS ALL-TIME HIGH Congratulations USA!" If workers are checking their retirement accounts for the first time in a couple months, they're probably happy too.

All the usual caveats apply: The data on weekly jobless claims can be noisy, the economy is bigger than the stock market, and nobody on Planet Earth knows what the Dow will do tomorrow. Mr. Trump's trade fight with China continues to escalate, with no clear resolution in sight.

No doubt most of our readers recall when the sluggish economy of the Obama years was said to be a "new normal." Economic sentiment began to shift on Election Day in 2016, and economic policy shifted dramatically toward growth over the last 20 months. Coincidence?

## Colorado's Fracking Fright

**C**alifornia normally gets all the attention on the front lines of environmental activism. Gov. Jerry Brown recently signed a bill to "decarbonize" all electricity production by 2045. But in real-world implications for the rest of the country, Colorado also deserves attention. A measure heading for the fall ballot would shut down nearly all oil and gas production in one of the top energy-producing states.

Colorado's current rules on energy production prohibit oil and gas operations within 500 feet of a home or 1,000 feet of a school or hospital. But an environmental group called Colorado Rising has collected enough signatures for a proposal on the November ballot to expand these buffer zones and effectively create bans in nearly all of the state.

Proposition 112 would restrict new energy development within a 2,500-foot radius of any building, playground, amphitheater, park, body of water or "any other additional vulnerable areas designated by the state or local government." The restrictions rule out 85% of all non-federal land in the state, according to the Colorado Oil & Gas Conservation Commission. In the five counties that produce 90% to 95% of Colorado's oil and gas, 94% of non-federal land would be off-limits. The implications of such a ban would be national. Colorado ranks fifth among the states in production of natural gas and seventh for oil.

In the first year the restrictions would take \$201 million to \$258 million out of state and local tax revenue. As energy production dwindled, that loss could rise to \$1.1 billion annually by 2030, according to a Common Sense

**Proposition 112 would prohibit almost all new oil and gas production.**

Policy Roundtable analysis reviewed by faculty from the Colorado School of Mines. The ban could kill up to 147,800 jobs and reduce state GDP by perhaps \$218 billion between 2018 and 2030.

It's no surprise that GOP gubernatorial candidate Walker Stapleton opposes the ballot measure. More interesting is that his Democratic rival, left-wing Congressman Jared Polis, does too. Prop. 112 "would all but ban fracking in Colorado—a position I have never supported," Mr. Polis said last month.

Score one for the reality check of having to face voters in a general election. In 2014 Mr. Polis financed campaigns for ballot initiatives to expand buffer zones and allow more local restrictions on energy production. Prop. 112's restrictions go further.

Colorado isn't California yet. In 2016 environmentalists failed to get enough signatures to put a similarly draconian measure on the ballot. Also that year, the Colorado Supreme Court overturned a Fort Collins fracking moratorium and a ban in Longmont.

Colorado Rising claims this new effort was "started by local people and grassroots groups across the state." That's false modesty. Spokeswoman Anne Lee Foster admitted that Food and Water Watch and 350.org, both national green groups, had given nearly \$250,000 to the effort. The Sierra Club, Greenpeace, the Center for Biological Diversity and Earth Guardians have endorsed Prop. 112.

If this proposition passes in Colorado, the same de facto bans on energy production will migrate to other states.

## LETTERS TO THE EDITOR

## Christine Blasey Ford vs. Brett Kavanaugh

Regarding your editorial "The #MeToo Kavanaugh Ambush" (Sept. 18): I am watching with anger and sadness the Democrats' last-ditch effort to derail the confirmation of Judge Brett Kavanaugh for the Supreme Court. I wonder if the Democrats have thought this tactic out. If it works with an unverifiable accusation, who will be safe in the contentious midterm political campaign season finale in November? If Judge Kavanaugh, who has an impeccable reputation going back decades and has been through six very thorough background checks by the FBI, can be destroyed, who can't be?

NANCY INGALSBEK  
Allegan, Mich.

As a wife and mother of a teenage son, I have sympathy for Christine Blasey Ford but find Mr. Kavanaugh's predicament truly terrifying. Ms. Ford doesn't know the day, month or even the exact year the alleged attack occurred. She doesn't describe herself as being drugged or drunk on arrival at the party, yet she seems unable to recall the address or even the general location of the house where the incident allegedly occurred, remembering only that it was somewhere in Montgomery County, Md. Presumably too young to drive, Ms. Ford cannot explain how she arrived at the party or how she returned home. She does remember wearing a swimsuit and being attacked by Mr. Kavanaugh in a bedroom, with Mark Judge looking on. Mr. Judge, the only other party guest whose name Ms. Ford can recall, vehemently denies the incident ever happened. Notes from a 2012 therapist visit by Ms. Ford reference the supposed attack, but don't mention Mr. Kavanaugh by name and contradict Ms. Ford's account of the number of people present.

Putting aside the utterly suspicious timing of the claim, how is Mr. Kavanaugh supposed to defend himself against a charge that lacks any specificity whatsoever? How would your husband or son defend himself? If a qualified Supreme Court nominee can be derailed by an 11th-hour, 36-year-old attempted assault allegation that lacks a location, date, time and any witnesses, then the #MeToo movement has become a mockery.

RONDA ROSS  
Austin, Texas

My heart goes out to Judge Kavanaugh's young daughters and his wife who must live through this nightmare of allegations against their father and husband, respectively, that will forever cloud their lives. The #MeToo movement has gone too far when women use "women's rights" as an excuse to push an at best murky narrative of abuse that cannot be remembered in detail by the accuser or confirmed by credible evidence.

Sign me up for the #WhatGoes-RoundComesRound movement, which I hope catches up with women who carelessly use their gender to destroy the reputation of other human beings.

HELEN ALDERSON  
Kennett Square, Pa.

As an 81-year-old woman I can still recall, after 70 years, an attempted sexual assault that happened to me. It is as clear to me now as the night it

happened. I don't remember the names of any other families I babysat for, but I shall never forget my assailant's name. If he were alive, I am confident he would say he couldn't recall that anything happened.

Most men in no way understand the emotional impact unwanted sexual advances make on females of all ages. Most 17-year-old boys would probably forget or not recall jumping on a girl 36 years ago and trying to rip her clothes off. To them it would have been nothing more than a playful, maybe somewhat inebriated, antic.

The men in the Senate who are protecting their nominee are also from the age where men were ignorant (many still are) of the impact unwanted sexual advances have on a woman. I applaud Ms. Ford for coming forward. This wasn't an easy choice for her.

FRAN KASSABIAN  
Alameda, Calif.

"The vagaries of memory are well known," as you say. Perhaps Mr. Kavanaugh and Mark Judge, who were allegedly quite drunk, had their own memory lapse. Given that scenario, they could conceivably pass a lie detector test as well as Ms. Ford has. There is simply no way to know the truth for sure, and eventually we need to move on.

BRUCE BOWERS  
Los Altos, Calif.

Do you honestly believe that an allegation of sexual assault against a Supreme Court nominee should be glossed over? I've been a therapist for over 40 years and know it is extremely rare that women lie about this because they know the public humiliation Anita Hill endured and that Ms. Ford is about to. Imagine putting your entire sexual history on display on national TV and being grilled by hostile senators willing to say and insinuate anything. Get serious. Things like morality, integrity and honesty are more important than anyone's political career.

JOHN LARDY  
Tucson, Ariz.

One can debate Sen. Dianne Feinstein's questionable delay or whether Judge Kavanaugh may or may not have participated in some questionable behavior in high school. However, the real issue is whether anyone's stupid behavior in high school or college, short of a violent felony, should be considered when evaluating a person's capability and qualifications for serving in public office or any other position more than 30 years later. Millions of young people have done something stupid or behaved badly during their high school and college years. Most eventually mature and lead exemplary lives thereafter. If we believe in rehabilitation and redemption, we should judge people on their actions during adulthood. If we disqualify every person who behaved stupidly or badly in their youth, we are going to exclude many great people from public life.

STEPHAN WILLIAMS  
Worcester, Mass.

This is why fewer than 35% of potential voters actually vote.

NATE SACHRITZ  
Portage, Mich.

## Maybe the Logan Act's Time Has Come With John Kerry

Regarding Seth Lipsky's "John Kerry, Meet George Logan" (op-ed, Sept. 17): Even though I am an attorney who has never practiced criminal law, and though no one has ever been convicted of violating the Logan Act, a federal criminal statute, I can't help but wonder why the federal government couldn't go to federal court to obtain an injunction against former Secretary of State John Kerry for engaging in conduct that could possibly constitute violation of that long-existing federal law.

ROGER HAUGO  
Lennox, S.D.

## Harley-Davidson Is Still Here Because of Past Tariffs

Everything in Prof. Kenneth Gutwein's letter "Harley-Davidson Is Right. Trump is Wrong" (Sept. 14) is accurate. However, he omits one important item that helped keep the failing Harley-Davidson from bankruptcy: tariffs. Thirty-five years ago Harley was pleading for the same tariffs it is crying about now. In 1983 President Reagan increased tariffs on Japanese bikes from 4.4% to 49.4% the first year, followed by a reduction to 39.4% in the second year, then 24.4% in the third, 14.4% in the fourth, finally returning to 4.4% in the fifth.

RAYMOND J. MASTRANGELO  
Guilford, Conn.

## Pope Francis's China Deal Violates Tenet of Vatican II

Regarding your editorial "The Vatican's China Syndrome" (Sept. 15): The Vatican's agreement to accept bishops from a list submitted by the Chinese government contradicts the Vatican II document on bishops "Christus Dominus" (20) which enjoins "that in future no more rights or privileges of election, nomination, presentation, or designation for the office of bishop be granted to civil authorities."

THE REV. MICHAEL P. ORSI  
Naples, Fla.

## Pepper ... And Salt

THE WALL STREET JOURNAL



"I just keep obsessing about my place in the Twitterverse."

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to [wsj.ltrs@wsj.com](mailto:wsj.ltrs@wsj.com). Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

## OPINION

# Wages Are Growing Faster Than You Think

By David R. Henderson

**S**tandard wage data show that between the spring of 2017 and the spring of 2018, real wages in the U.S. increased only 0.1%. But there are three major problems with these data. First, they don't account for fringe benefits, which are an increasing proportion of employee pay. Second, standard wage data use an index that overstates the inflation rate. Third, each year the composition of the workforce changes, as older, higher-paid workers retire and young, lower-paid workers enter the workforce.

A study released this month by the White House Council of Economic Advisers addresses these three biases and concludes that real wages grew by 1% in 2017-18, not the measly 0.1% reported in the wage data.

**A 0.1% annual rise turns into 1% when adjusted for inflation, benefits and the changing labor force.**

• **Fringe benefits.** Because benefits have become an increasing proportion of employee compensation over time, growth in real wages has been understated. The CEA estimates that including benefits would add 0.2 percentage point to the 2017-18 figure.

• **Inflation.** An ideal measure would cover a very large percent of what workers buy, would account for the tendency to buy less of goods and services whose relative prices have risen and more of goods and services those whose prices have fallen, and would somehow correct for the improvements in quality of almost everything sold in the private market. As Stanford's Michael Boskin has pointed out, the usual measure of inflation, the consumer-price index, doesn't do this very well. An alternate measure of inflation, the personal-consumption-expenditures price index, while also imperfect, is a better measure of inflation. Economists at the Federal Reserve prefer the PCEPI to the CPI. Using the PCEPI adds 0.5 percentage point to the 2017-18 growth of real wages.

• **Change in the labor force.** As baby boomers retire, they are replaced by younger workers. So even though average wages may not rise much, the wages of the majority of people working could rise a lot. The Census Bureau estimates that 3.57 million people turned 65 in 2017, compared with 2.68 million in 2010. Taking account of the decline in older, higher-paid workers and the increase in younger, lower-paid workers, the CEA estimates that this "composition factor" added 0.3 percentage point to real wage growth from 2017-18.

Because of rounding error, these three factors add up to 0.9 point. The net result: When adjusted for benefits, inflation and seniority, real wages actually grew 1% between 2017 and 2018. This is not a partisan point. The same methodology would show that real wages grew more than was reported during much of President Obama's time in office.

But there is, in this context, one relevant difference between the Trump and Obama administrations: the 2017 tax cut. Real after-tax wages increased 1.4% between 2017 and 2018, according to the CEA study. This overstates the benefits, given the Congressional Budget Office's estimate that the tax cut will make the 2028 federal debt 7% higher than otherwise. Yet even aside from the tax cut, real wages are growing at a healthy pace. That's good news for American workers.

Mr. Henderson is a research fellow with Stanford University's Hoover Institution.

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By David Satter

**D**ramatically violating the constitution he swore to uphold, President Boris Yeltsin signed a decree abolishing the Russian Parliament, the Supreme Soviet, on Sept. 21, 1993. That set the stage for a two-day civil war in October, which cost at least 123 lives, and led to the rise of a dictatorship. By December a new constitution had come into force creating a super presidency and a pocket Parliament, the State Duma, which does not have the ability to contest executive power.

Yeltsin, with U.S. support, defended his actions by accusing the Supreme Soviet of sabotaging economic reform. But many Russians saw an illegal power grab, organized to return Russia to one-man rule.

The first 21 months of Yeltsin's term were marked by heightening tension between the executive and legislative branches of government over economic "shock therapy." In January 1992 Yeltsin abruptly freed prices. That led to hyperinflation, which wiped out the life savings of millions of Russians. He promised lower prices within a year, but by the end of December inflation was 2,318%. Many deputies expressed opposition to aspects of the reforms. Yeltsin, however, chose to ignore them. He did not explain his policies or lobby the deputies. Having been supported by two-thirds of the Parliament in November 1991, Yeltsin faced two-thirds opposition six months later.

In the summer of 1993, the Supreme Soviet recalculated Yeltsin's budget, increasing pensions and salaries to teachers, doctors and others paid with state funds. The legislative budget provided for a deficit of 28 trillion rubles, or 25% of gross domestic product. Yeltsin vowed to ignore it on the grounds that it would wreck his reform.

On Sept. 21, Yeltsin announced he was abolishing Parliament. The deputies voted to impeach him and replace him with Vice President Alexander Rutskoi. Hundreds of deputies refused to leave the Parliament building, known as the White House. Yeltsin cut off electricity, heat and water and surrounded the building with riot police and barbed wire.

# When Russian Democracy Died



A tank outside Moscow's White House, Oct. 4, 1993.

who had already pulled three people to safety, was fatally shot in the head.

Parliament's supporters did not return fire. Nonetheless, Russian television announced that Ostankino had been seized by an armed mob. Yeltsin made an appeal to "the citizens of Russia," in which he said what was taking place was "an armed mutiny that was planned in advance."

An investigation into the October events by the general prosecutor determined that the deaths of Sitnikov and of Sergei Krasilnikov, a video editor in Ostankino, were not the responsibility of the pro-Parliament forces. Sitnikov died from an explosion inside the building. The shot that killed Krasilnikov was fired in a corridor full of Interior Ministry troops.

Leonid Proshkin, head of the investigation, said, "What happened at Ostankino cannot be described as anything but a massacre. Why was it not possible to disperse the crowd? Why did they fire on simple onlookers?"

Yeltsin's "victory" was greeted with enthusiasm by Secretary of State Warren Christopher, who said that the U.S. does not usually support the suspension of parliaments "but these are extraordinary times."

The illegal destruction of the Supreme Soviet and the subsequent creation of a super presidency destroyed any possibility of a genuine separation of powers. A year later, Yeltsin launched the first Chechen war. Russian liberals who had supported him found that without a real parliament, Yeltsin could unilaterally commit the army to a war against Russian citizens on Russian territory.

The 1999 Russian apartment bombings that brought Vladimir Putin to power were years in the future, as was Mr. Putin's elimination of the remnants of democracy. But Russia's fate was sealed in October 1993. Once Yeltsin decided to use force against elected deputies and the U.S. supported him, the emergence of a new Russian dictatorship dedicated to aggression and terror was a matter of time.

Mr. Satter is the author of *"The Less You Know, the Better You Sleep: Russia's Road to Terror and Dictatorship under Yeltsin and Putin."*

## Boris Yeltsin abolished the Parliament 25 years ago. That helped pave the way for Putin's dictatorship.

ists and employees—took cover in the hall of the Council of Nationalities, which was designed as a bomb shelter. Finally, with resistance having all but ceased, members of an antiterrorist unit entered the building and accepted the deputies' surrender.

Yeltsin said the Ostankino attack forced him to shell the White House. But evidence soon emerged that Yeltsin had prepared for violence even before issuing the Sept. 21 decree, and the events at Ostankino were a preplanned massacre by the presidential side. On Aug. 3, Yeltsin promised a "hot autumn" and began visiting the bases of critical army

wallop for those who feel excluded by English, but it's misguided. For starters, it's a stretch to call English a foreign language when millions of Indians have spoken it fluently for generations. The British Council estimates that India's 125 million English speakers make it the second-most spoken language in the country, behind Hindi but ahead of Bengali, Marathi and Telugu. This also makes India the world's second-largest English-speaking nation, after the U.S.

Indians have debated the place of English since at least 1835, when the British polymath and colonial administrator Thomas Macaulay first opened Western education to natives. To its foes, the persistence of English among Indian elites is a travesty that disfigures Indian society more than 70 years after independence. In reality, the language is a boon, not a burden. English gives India an economic edge in a competitive world. It also keeps a dizzyingly multilingual country together by warding off the threat of Hindi imperialism.

First the nativist case: In no other major country do leading business men, public intellectuals and movie stars often speak to each other in a language not their own. An unhealthy obsession with English as a tool of social mobility—including among poor parents who don't speak it themselves—is producing a generation of semiliterates unable to express themselves clearly in any language. Some activists decry the Indian love affair with English as a mark of "mental slavery."

This argument packs an emotional

units in the Moscow region. He also raised the salaries of officers two to three times. On Sept. 22, the day after the decree was issued, Moscow clinics were told to prepare beds for possible victims. By Sept. 29, there were 2,500 riot police around the White House, beating pro-Parliament demonstrators indiscriminately.

On Oct. 3, however, the police in Moscow mysteriously disappeared. Officers abandoned one checkpoint after another, leaving behind trucks and buses with keys in the ignition. The demonstrators drove or marched unhindered to Ostankino, where they hoped to gain access to airwaves that had been dominated by pro-Yeltsin propaganda.

Gen. Albert Makashov, leader of the parliamentarians' White House defense, arrived at Ostankino with a group of followers, including 20 people with automatic weapons and a grenade launcher taken from the riot police. Inside the building were 500 policemen and military armed with 320 automatic weapons waiting for them behind concrete fortifications.

One of Gen. Makashov's men fired the grenade launcher at the door. An unrelated explosion on the building's first floor killed Nikolai Sitnikov, one of the interior forces. A solid sheet of fire from inside the building immediately raked the unarmed protesters, onlookers and journalists in the square, which was quickly littered with wounded and dead. Terry Michael Duncan, an American lawyer

which are printed on every currency bill. Unlike the Soviet Union or Yugoslavia, which splintered after the end of the Cold War, India's multilingual union has held. English deserves part of the credit. It's the only Indian language that puts a Malayali from the south and a Bengali from the east on an equal footing with the vastly more numerous native Hindi speakers from the north. The existence of a pan-Indian English-speaking elite saps the strength of potential linguistic separatists.

## It's the only thing saving the country from Hindi imperialism.

An Indian union without English would be dominated by Hindi. According to the 2011 census, 47% of Indians—about 563 million people—live in the Hindi-speaking states of northern India. By sheer weight of numbers, Hindi already looms large over much of national life. It is the language of Bollywood, of four of the five largest-circulation newspapers, and of the most widely viewed news and entertainment channels.

In day-to-day life, Hindi often edges out regional languages. Although more than 83 million Indians speak Marathi, it's not uncommon to

see a Maharashtrian journalist interview a Marathi-speaking celebrity such as the cricketer Sachin Tendulkar in Hindi. Only English, which serves a smaller but more affluent demographic, acts as a check on Hindi hegemony.

Not surprisingly, regional politicians often find it easier to stoke resentment against Hindi than English. In Karnataka last year, the government pulled down Hindi signage from the local metro. In Mumbai, thugs from the Maharashtra Navnirman Sena, a chauvinist political party, have attacked migrants from the impoverished Hindi belt drawn to the city's prosperity.

Indians need not look far to see the dangers of linguistic chauvinism. In Sri Lanka, Sinhalese supremacists upset the delicate balance with Tamils by diminishing English. It helped tip the country toward a 26-year-long civil war. Pakistan's clumsy attempt to force Urdu on Bengalis led to war and the 1971 creation of Bangladesh.

India's native-language advocates do have valid concerns. They rightly point out, for instance, that students learn best when primary education is in their mother tongue. But the solution lies in strengthening schools so that more students learn multiple languages. Only a suicidal nation would heed the vice president's call to jettison English.

Third, restaurants give you the opportunity to carry out the popular activity known as having a conversation. A laugh might ensue, or a heart-to-heart moment. You can get to know, and perhaps even better understand and appreciate, your parents, your children and others. Such exchanges lubricate the wheels of our culture, our economy and our society.

These objectives are hard to accomplish with a blaring TV in the background. Discussing career issues with a friend can be a challenge when you can't help overhearing some sportscaster go berserk over a dunk.

The National Restaurant Association has not collected statistics on how many restaurants house televisions. Nor has it performed any research on customer attitudes toward TVs in restaurants or expressed a pub-

# If I Wanted a TV Dinner, I'd Stay Home

By Bob Brody

**A**s soon as I set foot in the restaurant, I hear it. The sound is unmistakable. It's a television.

Let me state for the record how I feel about TVs in restaurants. I hate them. TVs in restaurants are a scourge and an epidemic.

Restaurants were conceived as places you go to eat. Someone would buy, prepare and serve food to you. This business model has held up well since the first modern restaurant opened, reportedly in Paris in 1765.

But in the late 1940s, a few taverns started putting in TVs to draw fans for boxing matches. Then traditional restaurants installed sets. Nowadays, television has infiltrated not only diners, coffee shops and pizzerias but also upscale steakhouses, romantic Italian bistros and chic cafes.

I hold to three basic principles about eating out. First, focus on the food. Devote your senses to admiring its appearance, savoring its composition, inhaling its aromas.

Second, you typically gather to eat with other people—family, friends, colleagues, clients. Restaurants serve a social purpose. You might chance upon a long-lost classmate at the next table or see a marriage proposal.

Third, restaurants give you the opportunity to carry out the popular activity known as having a conversation. A laugh might ensue, or a heart-to-heart moment. You can get to know, and perhaps even better understand and appreciate, your parents, your children and others. Such exchanges lubricate the wheels of our culture, our economy and our society.

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THE WALL STREET JOURNAL.

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OPEC and Russia-led partners to discuss how much to pump as Iranian sanctions bite

BY BOEN FAUCON AND CHRISTOPHER ALESSI

OPEC and its Russia-led counterparts meet this weekend, as international oil prices flirt with multiyear highs, to gauge whether they need to boost output amid U.S. sanctions on Iran.

The discussions come at a tricky time for the cartel—just a few months before U.S. midterm elections, a time when oil prices take on outsize political importance in the country that burns more oil than any other.

President Trump has taken public aim at OPEC this year, blaming the cartel on Twitter for high oil prices, which boost pump prices. On Thursday morning, Mr. Trump fired off a fresh swipe, saying in a tweet, "The OPEC monopoly must get prices down now!"

The cartel has previously said it was responding to Mr. Trump and other world leaders, who in the spring had ratcheted up complaints about high prices. The group in June agreed to boost their collective output. The Organization of Petroleum Exporting Countries meets again Sunday in Algiers with big non-OPEC producers led by Russia.

The additional supply helped dampen prices in recent months. But they are back up again more recently. Brent, the international benchmark, temporarily breached \$80 a barrel last week for the first time since May. Prices are hovering near highs not seen since early summer. Prices started Thursday higher, trading at more than \$79 a barrel, on the back of weekly U.S. government

data showing crude inventories had fallen to a 3½-year low last week.

OPEC members say they will be wary of pumping too much more oil. That hesitancy is also partly due to Washington. The Trump administration's various trade disputes have at times roiled global stock markets, and knocked oil prices, amid worry the disputes might slow global economic growth.

Mr. Trump "is influencing both supply and demand" in oil markets, an OPEC official said. If prices aren't to his liking, "I would expect another tweet" while producers meet in Algiers, this official said.

U.S. Energy Secretary Rick Perry met with his Saudi counterpart, Khalid al-Falih, early last week in Washington, and held a meeting with Russian Energy Minister Alexander Novak last Thursday in Moscow. In Moscow, Mr. Perry credited the two countries with having averted "a spike

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## Oil Producers Plan New Path

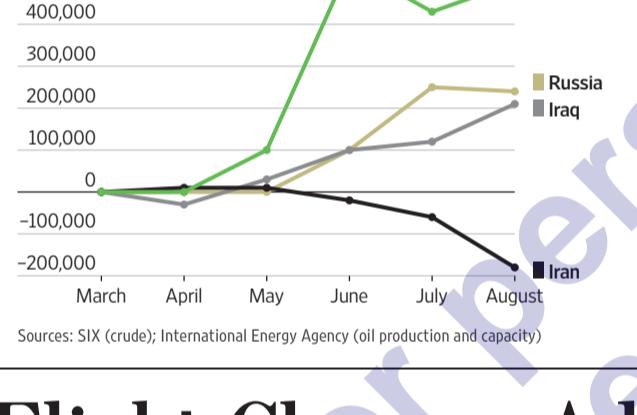
Crude prices have risen sharply since May, when the U.S. banned all of Iran's oil exports.

Brent crude, leading contract, dollars a barrel



**Saudi Arabia, Russia and Iraq are offsetting Iran's declining oil production ahead of U.S. sanctions.**

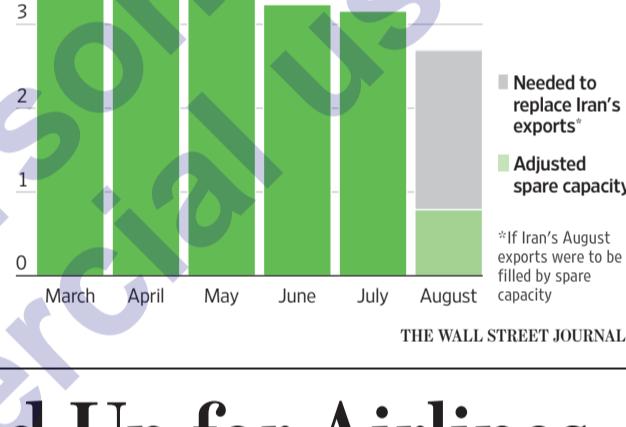
Change in oil production since March



Sources: SIX (crude); International Energy Agency (oil production and capacity)

**The cushion of available oil is shrinking as producers offset Iran's decline.**

Spare capacity



THE WALL STREET JOURNAL.

## Auction to Settle Sky Takeover Battle

BY STU WOO AND BEN DUMMETT

LONDON—Comcast Corp. and 21st Century Fox Inc. will settle their takeover battle for Sky PLC in a weekend auction run by British regulators, setting up a dramatic climax to a 21-month sale process that has pitted some of the world's biggest media giants against each other.

The U.K. Takeover Panel, which polices deal making in the country, laid out rules for the auction on Thursday. It is a process the regulator hasn't run many times previously—and never before with such a large company as the prize.

London-listed Sky has a market value of some \$36 billion.

Such government-mandated auctions of big, publicly traded companies are rare. The Sky auction pits Rupert Murdoch's 21st Century Fox, which owns 39% of Sky, against Comcast. Walt Disney Co. has separately agreed to buy a big chunk of Fox, including its Sky stake, for \$71 billion.

That puts Disney Chief Executive Bob Iger and Mr. Murdoch on the same team, bidding against Comcast CEO Brian Roberts. Because Fox already owns a big stake in Sky, the Disney-Fox team has an interest in driving up the bidding, even if it doesn't ultimately win. That would make the stake more valuable should it decide to sell it to Comcast.

The three media companies have competed against each other—and made deals with each other—over years, as they each steered their respective companies and helped re-

## Flight Changes Add Up for Airlines

BY ANDREW TANGEL

U.S. airlines are fighting to keep control of the nearly \$3 billion that passengers pay annually to change their flights.

House and Senate lawmakers are negotiating a bill to reauthorize the Federal Aviation Administration's operations ahead of a Sept. 30 deadline. Within it, some lawmakers want to include a provision that could limit fees passengers pay to change flight reservations.

U.S. airlines received \$2.9 billion in such fees last year, federal data show, as the companies make a broader push to get more from surcharges and services beyond base fares. Bag fees brought airlines another \$4.6 billion in revenue in 2017.

Most major carriers have raised baggage fees in recent weeks to cover rising fuel costs.

American Airlines Group Inc. on Thursday raised baggage fees by \$5 to \$30 for a first bag and \$40 for a second on flights in the U.S. and Canada.

Delta Air Lines Inc., United Continental Holdings Inc., JetBlue Airways Corp., and two Canadian carriers also recently raised baggage fees.

Congressional aides say



Some lawmakers want to limit fees charged by U.S. carriers when passengers change their flights.

lawmakers want to draw up a version of the bill as soon as this week for consideration by both chambers. Some senators want to include a provision that would allow the U.S. Department of Transportation to determine whether change

fees are reasonable and proportionate to the cost of the service provided. Industry experts say it would mark one of the most significant checks on airline pricing since the industry was deregulated during the Carter administration.

"It is our top priority to ensure that this—what we consider an existential threat to our business—does not become law," said Sharon Pinkerton, senior vice president for policy at Airlines for

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**NIKE IS OUT IN FRONT IN RETAIL RACE**

SPORTSWEAR, B3

## Goldman Trading Chief Exits

BY LIZ HOFFMAN

Goldman Sachs Group Inc.'s stock-trading chief is leaving the firm, the first senior departure as incoming Chief Executive David Solomon sets priorities and puts his own team in place.

Paul Russo, who has run Goldman's equities business since 2012, is negotiating his exit and is likely to depart in coming weeks, according to people familiar with the matter. The firm is likely to give additional responsibilities to three executives: Brian Levine, Jeff Nedelman and Phil Berlinski—while Mr. Russo's counterpart, Michael Daffey, con-

tinues to head the business globally from London, some of the people said.

A Goldman spokesman declined to comment. Mr. Russo couldn't be reached to comment.

The change comes at a tough time for the equities business across Wall Street and, in particular, at Goldman, which has ceded ground to rivals in recent years. The rise of electronic trading has reduced fees and forced banks to spend heavily to upgrade their software. Meanwhile, startups are peeling away the lucrative business of structuring derivatives, and hedge funds, once big fee-payers, are struggling.

Goldman's equities revenue

fell to \$6.6 billion last year from a peak of \$11.3 billion in 2007. It has stabilized in recent years and held up better than the firm's fixed-income trading business.

A Goldman lifer, Mr. Russo is respected on the trading floor and in Washington, where he was often the firm's voice on trading regulations and market-structure issues. He joined as a summer intern in 1989 and rose up the ranks in equity derivatives, trading products tied to volatility and stock indexes.

His is the first in a series of expected departures in Goldman's trading arm as Mr. Solomon readies his agenda.

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## OPEC and Partners to Map Path

Continued from the prior page in oil price."

A representative of the Energy Department didn't return a request for comment on the Algiers meeting.

The White House's press office couldn't be reached.

OPEC and Russia are expected to discuss at the Sunday meeting whether the group needs to boost output,

throttle back or keep output unchanged in coming months. The group isn't expected to make a formal decision, though if ministers telegraph their thinking one way or the other, they could move oil prices. The group also is expected to discuss the contours of their future cooperation.

Saudi Arabia, as OPEC's de facto leader, "has a very narrow needle to thread," said Jason Bordoff, director of the Center on Global Energy Policy at New York's Columbia University.

The Algiers meeting is the latest in a series in which OPEC and a group of non-OPEC producers, first among them Russia, have acted together to guide crude market prices.

Two years ago, the two sides came together at a time when prices were low thanks to a flood of new oil from U.S. shale producers. U.S. production, while still growing, is now facing challenges such as bottlenecked pipelines.

Saudi Arabia and Russia orchestrated cutbacks, which worked in boosting prices. In June, they loosened up again, agreeing to add about 600,000 barrels a day of crude to world markets.

A big factor then was the looming effect of new U.S. sanctions on Iran. The Trump administration reinstated tough limits on buying Iranian crude, threatening to bottle up output. The International Energy

Agency estimates Iranian exports fell by 500,000 barrels a day between April and August.

At the Algiers meeting, oil ministers from Saudi Arabia,

beyond their promise in June, according to oil-production data. The Saudis increased output by 500,000 barrels a day in August, and Moscow has raised production by 250,000 barrels a day, compared with four months ago, the IEA reported last week.

Complicating the calculation are diverging estimates of just how much Iranian exports are falling short. Iran maintains it is exporting close to 2.1 million barrels a day, according to the country's OPEC envoy, Hossein Kazempour, in an interview. This suggests little change in the past two months.

But the IEA said the Islamic Republic exported just 1.9 mil-

lion barrels a day in August, a decline of 500,000 barrels a day from April.

OPEC's ability to fill the hole left by U.S. sanctions on Iran isn't limitless. The group's spare capacity—the amount of shut-in oil that could be brought online within 90 days—fell to 2.69 million barrels a day in August, a decline of 780,000 barrels a day since April, according to the IEA.

"The global system [is] highly vulnerable to any further significant outage," HSBC warned in a note Wednesday.

—Summer Said contributed to this article.

## Ticket Punched

U.S. airlines have been collecting about \$3 billion in change and cancellation fees annually in recent years.

### Total reservation cancellation and change-fee revenue

\$3.0 billion

2010 15 17

### Cancellation and change-fee revenue by airline for first half of 2018, in millions

American \$452.7

Delta 347.9

United 310.6

Alaska 89.9

JetBlue 78.8

Spirit 31.1

Source: Bureau of Transportation Statistics, U.S. Department of Transportation

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## Fees Set By Airlines Spark Fight

Continued from the prior page America, which represents most major U.S. carriers.

The trade group said fares including baggage and change fees are 40% lower than 40 years ago, adjusted for inflation. Base fares are often lower because of stiff competition from discount carriers.

But some passengers and lawmakers say airlines have set change fees too high and made them too inflexible. Some airlines charge as much as \$200—or even more—plus the difference in fares to reschedule a flight.

"It's definitely annoying when you have to change," said Andrew Labovitz, a frequent flier who said he paid Delta about \$450 to change the destination of a 2013 vacation to Florida after his family was scammed out of a vacation rental in the Dominican Republic.

Some carriers are revisiting their fees policies. Frontier Airlines Inc. on Thursday said it would eliminate or reduce many fees for reservation changes made more than two weeks before departure.

Hawaiian Airlines said it is evaluating whether to lower some of its change fees regardless of whether the provision is passed.

"I have sympathy for someone who is making a change well in advance," Peter Ingram, chief executive of the airline's parent Hawaiian Holdings Inc., said.

Airline executives said they

would likely raise fares to compensate for any cap on change fees, and make other adjustments such as overbooking more flights or make more tickets ineligible for changing.

American Airlines Chief Executive Doug Parker said change fees are a way for customers to convert a cheaper, less flexible ticket into a more flexible one.

JetBlue CEO Robin Hayes said that limiting change fees would make it harder for airlines to pass rising costs on to passengers more nimbly, leading to higher ticket prices overall.

Southwest Airlines Co., which doesn't charge change fees, also opposes the proposed regulation because it sees its no-fee policy as an advantage against its competitors. The airline said as much as 20% of its itineraries are rescheduled.

—Alison Sider contributed to this article.

## BUSINESS & FINANCE

# Adobe Makes Its Largest Deal Ever

BY ALEXANDRA BRUELL

**Adobe Systems** Inc. agreed to acquire marketing-automation firm **Marketo** for \$4.75 billion, its largest acquisition ever and the latest sign of its ambition to become a one-stop-shop for marketers.

San Mateo, Calif.-based Marketo helps brands track their customers' actions online, from getting an email to purchasing a product, providing them with information they can use to serve more personalized promotions.

The deal is expected to add scale to Adobe's existing marketing-technology capabilities.

It also will bolster the company's clout with business-to-business brands, which make up the bulk of Marketo's customer base. Reuters earlier reported that Adobe and Marketo were in talks.

Adobe has been focusing on building and buying capabilities for business-to-consumer brands, and wants to expand relationships with its existing clients that have both business-to-consumer and business-to-business divisions, Chief Executive Officer Shantanu Narayen said in an interview.

Marketo was bought by private-equity firm Vista Equity Partners in 2016 for \$1.79 billion.

Marketo CEO Steve Lucas will continue to lead the Marketo team, reporting to Brad Rencher, Adobe's executive vice president and general manager of digital experience.

The transaction is expected to close during the fourth quarter of Adobe's 2018 fiscal year.

Adobe is known for products like Photoshop and Adobe Reader, but the company's Experience Cloud, which houses its marketing technology and data and analytics products, is growing at a fast clip, the company said. The Experience Cloud reported revenue of \$2.03 billion in 2017, according

to a financial filing.

Adobe has acquired a number of marketing-automation firms in recent years. The company made its first big bet on digital-marketing services in 2009 with its deal for data-analytics firm Omniture for \$1.8 billion. In 2010, it bought Day Software, which allows customers to build websites and apps, for \$240 million. In 2016, it acquired TubeMogul, a company that helps brands plan and buy ad space across digital and TV platforms, for \$540 million.

Earlier this year, Adobe acquired commerce-technology firm Magento for \$1.68 billion.

## Growing Opposition Threatens Last U.S. Nuclear Plant



JOHN BAEMORE/ASSOCIATED PRESS

lawmakers wrote a letter expressing "concern about the ever-escalating cost" of the power plant, under construction in Waynesboro, Ga., and seeking a cap on how much of those costs could be passed on to cus-

tomers of smaller utilities. Georgia Gov. Nathan Deal, a Republican, wrote a letter in support of finishing work, offering his "full support moving this project forward."

MEAG said in a statement

that it appreciated input from state politicians, but that a decision on whether to create a cost cap would have to be decided by the Southern unit leading the project, Georgia Power.

—Russell Gold

An oil official said Mr. Trump is influencing both supply and demand.

Russia and other countries will debate whether more is needed, though they won't have to decide until a December summit. Saudi Arabia and Russia have boosted output

beyond their promise in June, according to oil-production data.

The Saudis increased output by 500,000 barrels a day in August, and Moscow has raised production by 250,000

## BUSINESS NEWS

**ESPN+**  
Reaches  
Subscriber  
Milestone

By SHALINI RAMACHANDRAN

ESPN said it has signed up more than one million paying subscribers for the streaming service it launched in April, a boost of confidence for majority-owner **Walt Disney** Co.'s effort to win over cable-television cord-cutters.

The ESPN+ streaming service, priced at \$4.99 a month, offers fans hundreds of live Major League Baseball and National Hockey League games, as well college-football games and soccer matches from around the world.

It also carries Top Rank Boxing, Ultimate Fighting Championship matchups, and original studio programming like "Detail" hosted by Kobe Bryant. The service doesn't carry live streams from ESPN's TV channels.

Reaching the one-million subscriber mark is a significant milestone for ESPN President James Pitaro, whose primary task since taking the helm in March has been to launch a successful ESPN-branded streaming service.

ESPN this summer converted ESPN Insider subscribers, who were paying \$4.99 a month for sports analysis and tools, to ESPN+ customers. The company said the "vast majority" of the one million paying customers are new ESPN+ subscribers who have signed up since April. Converted ESPN Insider subscribers are a "significant minority of the total."

ESPN has lost millions of subscribers to its cable channels in recent years, stoking concerns on Wall Street about the sports-TV juggernaut's financial health and more broadly about how deeply the cord-cutting phenomenon will hurt the entire pay-TV industry.

**Nike Leads Sportswear Rebound**

By AMRITH RAMKUMAR

Add another company to the list of retailers bouncing back in a big way this year: Nike Inc.

The Beaverton, Ore., firm has led a resurgence in shares of companies that sell athletic equipment, shoes and clothing, after worries about the rapid rise of e-commerce hurt the group in previous years. Nike shares are up 36% this year and closed at a record Thursday after the stock fell from its October 2015 peak through last fall.

Analysts say confidence in Nike's digital sales efforts—particularly in North America—has lifted the stock, a

trend also seen with traditional brick-and-mortar retailers such as Macy's Inc. this year. Nike's 2018 advance has put it in the upper echelon of the S&P 500, even topping the year-to-date climbs of technology heavyweights like **Apple** Inc. and **Microsoft** Corp.

The gains have come despite an investigation into allegations of inappropriate workplace behavior and flaws in Nike's human-resources department, which were reported by The Wall Street Journal earlier this year.

More recently, Nike shares have erased their 3.2% drop from Sept. 4, when the company faced backlash for using National Football League quar-

terback-turned-activist Colin Kaepernick at the center of an advertising campaign.

Analysts were initially anxious about the impact of the decision on sales, but Wall Street seems to be more confident that Nike can keep growing revenue. Five analysts tracked by FactSet have raised their price targets on the stock during the past week, ahead of Nike's earnings report next Tuesday.

Shares of other sporting-goods companies also have climbed.

**Under Armour** Inc. shares are up 39% this year. In Europe, **Adidas** AG has risen 25% for the year and **Puma** SE has climbed 16%.

**Steady Rise**

Nike shares have continued climbing lately despite worries about the company's corporate culture and a controversial advertising campaign.



Source: SIX

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**Under Armour Sheds 400 Jobs to Cut Costs**

By ALLISON PRANG

**Under Armour** Inc. is cutting about 400 jobs globally as the athletic-apparel company continues to slash costs to combat weak sales growth.

The firm said Thursday that it was reducing its workforce by about 3%, which a company spokeswoman said comes out to about 400 employees. Under Armour expects the workforce reduction to be finished by the end of March.

The Baltimore-based sportswear firm now expects its pretax restructuring charges for the year to be between \$200 million and \$220 million, with the workforce cuts resulting in about \$10 million in severance costs. The company had expected restructuring charges for the year to be between \$190 million and \$210 million. The restructuring has also included contract and facility lease terminations, as well as inventory-control efforts.

A little over a year ago, Under Armour said it was cutting its workforce by about 2%, or roughly 280 workers. At the time, the company said it



National Basketball Association player Stephen Curry at an Under Armour event in Tokyo last week.

needed to expand its strategy, largely focused on North America, to a global one.

Chief Executive Kevin Plank had called 2017 a "reset" for

the brand.

Sales outside of North America, which accounted for more than one-quarter of the company's total in the second

quarter, have been growing at a faster pace than sales from its home market. While North America sales rose 2% in the second quarter, sales outside

of North America increased 28%.

Under Armour sales rose 3.1% in 2017, off from the double-digit growth the company had posted for several years. It expects overall sales growth of 3% to 4% this year.

Shares of Under Armour, similar to those of other athletic-apparel makers in recent months, have pushed higher this year. The company's Class A shares rose 6.6% to \$20 on the New York Stock Exchange on Thursday, bringing their year-to-date gain to 39%.

The company has worked to improve its product line, forming apparel and footwear partnerships with celebrities such as National Basketball Association player Stephen Curry and entertainer Dwayne "The Rock" Johnson.

Under Armour on Thursday also raised the low-end of its adjusted-earnings forecast for the year. The company now expects an adjusted profit between 16 cents a share and 19 cents a share, up from its prior range between 14 cents a share and 19 cents a share.

—Bowdyea Tweh contributed to this article.

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## TECHNOLOGY



A deal announced this week hooks Amazon up with one of the country's largest chains.

## India Is New Front on Retail War

By CORINNE ABRAMS

**MUMBAI—Amazon.com** Inc. has upped the ante in its battle with **Walmart Inc.** in India, by teaming up with a local private-equity firm that is acquiring one of the country's largest retail chains for more than \$500 million.

The deal could give Amazon a claim to the more than 500 stores of **Aditya Birla Retail**, which runs the More chain of supermarkets and hypermarkets. It comes just months after Walmart paid \$16 billion for a 77% stake in Flipkart, one of India's top e-commerce sites.

Amazon said it joined with India-based Samara Capital to invest in Witzig Advisory Services Pvt., a company that focuses on training and providing facilities support staff.

Witzig, which is controlled by Samara, has taken virtually full ownership of Aditya Birla Retail, according to an announcement at the Mumbai

stock exchange Wednesday. The deal, involving multiple stakeholders, had an enterprise value of about 42 billion rupees (\$583 million), a person familiar with the matter said.

"Both Samara and Amazon see significant growth potential in the area of facilities support and management and value-added services in the coming years," an Amazon spokeswoman said in a statement. She declined to comment on the financial terms of the deal or how the company would work with More supermarkets.

Though local regulations would restrict Amazon from owning 51% or more of a local retailer, the deal could give the Seattle-based company an important foothold in one of the world's last great untapped retail markets.

Access to More's customers, data and outlets could help it better understand and deliver to India's population of around

1.3 billion people.

The Indian e-commerce market is set to exceed \$100 billion by 2022, according to a report from PwC India and the National Association of Software & Services Companies. In the groceries market, e-commerce companies face competi-

*Jeff Bezos pledged a \$5 billion investment as his company goes against Walmart.*

tition from other big Indian supermarket chains as well as millions of mom-and-pop stores that most Indians use for their everyday needs.

Aditya Birla Retail's revenue was 41.94 billion rupees for the year ended March 31, 2017, up from 35.09 billion rupees a year earlier, the latest balance sheets filed with the country's

Ministry of Corporate Affairs show. The company lost 990 million rupees in that period, compared with a loss of 1.68 billion rupees a year earlier.

Samara executives declined or didn't respond to requests for comment.

Amazon founder Jeff Bezos has pledged to invest \$5 billion in India, as the company looks set to go head to head with Walmart both online and off.

"Amazon is going to be open on all the retail opportunities in India," said Abneesh Roy, an analyst at Mumbai-based Edelweiss Securities.

Despite the country's large population and growing middle class, India has long been known as a tough place to make money for global retailers. Government restrictions, overburdened infrastructure and surprisingly expensive retail rents make it difficult for even the retail giants here.

*Debiprasad Nayak and Rajesh Roy contributed to this article.*

# Amazon Sells Chip to Run Smart House

By LAURA STEVENS

**SEATTLE**—In a bid to control the smart home of the future, **Amazon.com** Inc. is offering makers of electronics a small chip that would let people use their voice to command everything from microwaves and coffee machines to room fans and guitar amplifiers.

The online retail giant hopes big manufacturers will sign up to incorporate the Alexa-enabled chips—which cost a few dollars each—in ordinary household devices.

The plan, if successful, could give Amazon an advantage over other tech companies such as **Alphabet Inc.**'s Google, **Apple Inc.** and **Microsoft Corp.**, which are all racing to use voice assistants to control everyday devices to promote their services, as well as glean consumer data.

The announcement came Thursday at a press event in Amazon's new Spheres building, where executives revealed a flurry of new Echo speaker devices and other electronics powered by its Alexa voice assistant. The products, which included a \$50 Echo for cars and a new home security system, show Amazon's intention to put Alexa at the center of people's lives.

The company also unveiled a raft of improvements to Alexa, highlighting capabilities that allow it to whisper and hold conversations.

Amazon's effort to turn Alexa into the home's central operating system is full of challenges. For decades, the march toward a Jetsons-like connected smart home that can remotely open the garage and fire up the oven has been slowed by gadgets that are too expensive, too difficult to configure and often incompatible with other products.

Amazon is looking to unite

a scattered industry where many manufacturers have chosen to develop their own connected devices and rent space in the cloud to power them. The company must prove it can push Alexa into the consumer mainstream beyond its Echo speaker devices, and lure more than just the early adopters who outfit their homes with smart devices.

"The response we're seeing from customers is indicating that there are now many cases where voice is a simpler interface," such as using a light switch, Daniel Rausch, vice president of smart home at Amazon, said in an interview.

To demonstrate its technology, Amazon has incorporated a circuit board and a button to access Alexa in its Amazon-brand microwave. The company said customers could either press the button or use an Echo speaker—which connects via Wi-Fi—to command the microwave to do things like defrost a half-pound of chicken, or set it up to automatically reorder a favorite type of popcorn on Amazon.

"What this microwave does is keep track of how many times you cook popcorn and make sure you never run out," Mr. Rausch said.



Amazon's Dave Limp with the new Echo speaker Thursday.

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**Company Description** interTouch Holdings LLC, a Delaware company, wholly owns – interTouch Pte. Ltd. based in Singapore (InterTouch) and Nomadix, Inc. based in Aigoura Hills, CA.

InterTouch is a premier integrated technology solutions provider that delivers reliable and secure broadband connectivity, multimedia services, interactive television, and managed network solutions. Operating out of 30 local offices supporting customers in over 60 countries, interTouch is one of the world's largest hotel service providers and its total technology solution, network monitoring, and comprehensive customer support enable hotels to offer a superior guest experience.

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## EU Warns Facebook About Fine Print

BY VALENTINA POP AND SAM SCHECHNER

The European Union is ramping up pressure on **Facebook Inc.** to better spell out to consumers how their data is being used or face sanctions in several countries.

Vera Jourová, the European Commissioner for Justice, Consumers and Gender Equality, on Thursday warned the tech company that if it doesn't change its "misleading terms of service" by the end of the year, she will call on consumer-protection authorities in EU countries to impose sanctions.

"I am becoming rather impatient. We have been in dialogue with Facebook almost

two years," Ms. Jourová said. "I want to see not progress—that is not enough for me. I want to see results."

A spokesman for Facebook said it has made changes to its terms based on regulators. The company "will continue our close cooperation to understand any further concerns and make appropriate updates," he said.

At issue for Ms. Jourová was the clarity of Facebook's terms of service. The company updated them in the spring, but Ms. Jourová said they remain insufficiently explicit about how the company monetizes users' data. A spokeswoman for the EU's executive arm said directing users via hyperlinks to Facebook's "data

policy," which gives some more detail on ad targeting, isn't enough for consumers.

"I expect Facebook to be honest with those that go and try to understand" its terms and conditions, Ms. Jourová said.

The sharply worded salvo comes on top of a series of legislative proposals and regulatory actions from Europe aimed at reining in the power and perceived excesses of a cadre of big tech companies.

The EU in May implemented a sweeping new privacy law, known as GDPR, and its parliament recently approved a draft copyright bill aimed at making Silicon Valley companies pay more money to support music companies and

news publishers.

The EU's executive arm has also issued fines for alleged anticompetitive conduct by Alphabet Inc.'s Google, and ordered EU countries to recoup allegedly unpaid taxes from Apple Inc. and Amazon.com Inc.

On Wednesday, antitrust officials disclosed a new preliminary probe into Amazon's treatment of third-party sellers.

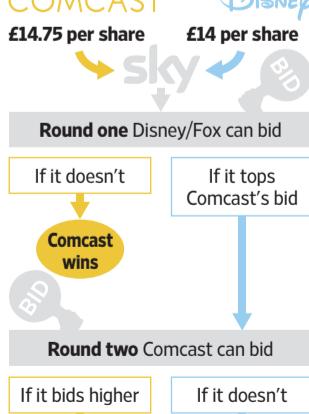
The issue raised Thursday is legally separate from complaints lodged against Facebook by activists under the EU's strict privacy law, GDPR, which is enforced by a separate set of national privacy regulators. But the two issues aren't entirely unrelated.

## Going, Going

Comcast, Disney and Fox head to the Sky auction Friday.

**Here's how the auction is supposed to unfold**

Current bids



**'As soon as practical,' U.K. regulators will disclose the winning offer Saturday**

Source: the companies  
THE WALL STREET JOURNAL.

## Auction to Settle Sky Battle

Continued from page B1

shape the U.S. media industry. Fox and Comcast declined to comment. Representatives from Disney weren't immediately available for comment.

Mr. Murdoch has long sought to consolidate his holding in London-based Sky. Disney and Comcast see Sky as a way to expand internationally. The broadcaster also sells wireless, TV and internet services throughout Europe, and produces its own news, entertainment and sports programs.

Mr. Murdoch and his family are major shareholders in Fox and News Corp, which owns The Wall Street Journal.

Regulators resorted to an auction process after Fox, backed by Disney, and Comcast engaged in what was starting to look like an endless series of bids and counterbids for the broadcaster.

The auction will start Friday evening and run through Saturday, and consist of a maximum three rounds of bidding. The winner will be announced shortly after the auction ends Saturday evening. If there is a third and final round, it will be conducted with sealed bids—secret, final offers made to the regulator.

Fox first offered in December 2016 to buy the rest of Sky it didn't already own for

£10.75 (\$14.27) a share. After Fox's merger proposal hit regulatory and political delays, Comcast made a surprise offer last February, for £12.50 a share.

Comcast made the most recent offer in July, for £14.75 a share, valuing Sky at \$34 billion. That is above Fox's current bid, also made in July, of £14 a share.

Investors have long expected higher offers. Sky's shares were flat Thursday, closing at £15.80. The two sides could increase their bids before it starts, though there is little incentive to do so.

Under the auction rules, only Fox can bid in the first round. In the second round, Comcast can counterbid. If that doesn't determine a winner, each side can submit sealed-bid offers in the final round. The sides

## BUSINESS NEWS

# Disney Tweaks Film After Protest

By ERICH SCHWARTZEL

Walt Disney Co. has decided to reanimate scenes showing its only black princess in the coming "Wreck-It Ralph" sequel after facing criticism that the company had lightened her skin tone from previous appearances and narrowed her nose.

Princess Tiana, hailed as a breakthrough character for Disney when she first appeared in 2009's "The Princess and the Frog," is briefly featured in the "Wreck-It Ralph" sequel, called "Ralph Breaks the Internet." After images of the princess were released by Disney over the summer, online users noted what they perceived as differences in pigmentation and facial features between the 2009 and 2018 versions of Tiana.

The social-media-driven backlash prompted Disney to begin reanimating the princess immediately after the images were released, according to a person familiar with the matter. The revisions—an unusual move given the yearslong process of making an animated film—come in the final months before the movie's release on Nov. 21.

During the revision process, Disney animators weighed feedback from Anika Noni Rose, the actress who voices Tiana, and met with representatives from Color of Change, an advocacy organization that



The studio reacted to a social-media campaign involving the character of Princess Tiana.

focuses on issues of racial representation and political inequality, including portrayals of black characters in Hollywood.

Brandi Collins-Dexter, a senior campaign director with Color of Change, traveled to Disney's Burbank, Calif., headquarters last week for a review with the animators of the changes, which she described as darker hair and a wider nose and mouth.

In a statement Thursday, Color of Change praised Disney's decision to "restore Princess Tiana's image to that of an unapologetically black prin-

cess with full lips, dark skin and dark hair."

Studios across Hollywood have had to contend with criticism over casting decisions and depictions of certain groups, thanks in part to an online culture that allows for immediate response.

Actress Scarlett Johansson dropped out of a movie earlier this year after she was criticized for signing on to play a transgender character. Disney itself has been in the political crosshairs lately. Over the summer, racially charged tweets got Roseanne Barr fired from her show on Dis-

ney's ABC network, and Disney's Marvel Studios fired director James Gunn from "Guardians of the Galaxy: Vol. 3" after old tweets surfaced that appeared to show him making light of pedophilia.

The Tiana controversy hadn't escalated to the level of outrage surrounding those incidents, but Disney walks a particularly fine line given its reputation as the world's most family-friendly brand.

Alienating fans ahead of a movie's release risks angering parents who might not buy tickets or toys depicting the princess.

# Prosecutors to Review Liu Rape Allegation

By AUSTEN HUFFORD AND SHAN LI

The Minneapolis Police Department has completed its investigation into a rape allegation against Chinese billionaire Liu Qiangdong, and prosecutors are now expected to decide whether to bring charges, the Hennepin County Attorney said Thursday.

Mr. Liu's attorneys have said he didn't commit any wrongdoing. Mr. Liu's attorney Earl Gray declined to comment further Thursday.

Prosecutors are expected to review evidence police have gathered and decide whether to bring charges. A spokesman for the prosecutor's office said there is no deadline for that decision.

A police spokesman said the department didn't recommend whether or not prosecutors bring charges.

Mr. Liu, also known as Richard Liu, is the founder and chief executive of Chinese e-commerce giant **JD.com** Inc., which sells consumer goods and merchandise online. He was in Minneapolis last month to attend an executive degree program at the University of Minnesota.

His arrest, late on Friday, Aug. 31, came about 24 hours after an evening of wine and Japanese food at a Minneapolis restaurant. Mr.

Liu and the woman who reported the alleged rape, a University of Minnesota student from China, attended a group dinner, according to a person familiar with the situation.

Mr. Liu, 45, was arrested on suspicion of rape and booked into the Hennepin County Jail. A police report said the alleged incident took place at 1 a.m. Friday, Aug. 31.



Billionaire Liu Qiangdong is the founder and CEO of Chinese e-commerce giant JD.com.

A University of Minnesota spokesman has said the school is "very concerned" about the incident involving Mr. Liu and "acting appropriately" in response.

Mr. Liu was released at 4:05 p.m. on Sept. 1 without bail and returned soon after to China.

Minneapolis police said Mr. Liu was released because they needed time to complete an extensive investigation.

China doesn't have an extradition agreement with the U.S.

—Andrew Tangel contributed to this article.

# Alibaba's Ma Revokes U.S. Jobs Vow, Citing Trade Fight

By YOKO KUBOTA AND LIZA LIN

the jobs would be created by supporting more sales by U.S. small businesses on Alibaba's e-commerce platforms.

In an interview with China's state news agency Xinhua published Wednesday, Mr. Ma said his commitment was contingent on good relations between the two nations.

"The current situation has already destroyed the original premise and there's no way we could meet it," he said. "Trade

is not a weapon. It can't be used for war. It should be used as a tool to promote peace."

Mr. Ma's pledge to create one million jobs drew skepticism at the time, with some critics saying the promise was vague. An Alibaba spokeswoman on Thursday declined to comment beyond Mr. Ma's remarks to Xinhua.

Mr. Ma has become increasingly critical of the Trump administration's trade-related

moves against China. In an op-ed published in The Wall Street Journal in April, he cautioned the U.S. against waging a trade battle with China, saying the U.S. would miss out on a consumer market eager for high-quality imported goods. Earlier this week, he said the trade tension could last 20 years.

Alibaba has struggled to make inroads in the U.S. The U.S. Trade Representative has placed Alibaba on a list of notorious marketplaces, saying the company's Taobao site is riddled with counterfeit goods. Alibaba says it works to keep fakes off its sites.

Earlier this year, Alibaba affiliate Ant Financial Services Group was barred from acquiring MoneyGram International Inc. by a U.S. national-security panel. Mr. Ma on Thursday appeared at the World Economic Forum's summer meeting in Tianjin, where he gave an interview on stage that covered topics including his recently announced plan to retire in a year and cultural differences between China and the West.

Mr. Ma said the trade frictions contribute to a tougher business outlook for entrepreneurs, but that businesses would get stronger in an environment like this. "Whatever the U.S. would do, we will have our own solutions based on our principles," he said.

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## BUSINESS NEWS

# Firms in U.K. Stock Up Ahead of Breakup

**Companies store drugs, commodities, parts in case of customs disruptions**

BY SAABIRA CHAUDHURI AND ROBERT WALL

LONDON—Some of the world's biggest companies are drawing up plans for the unplanned: a March divorce between Britain and the European Union, in which even some basic parameters have yet to be hammered out.

Big pharmaceutical firms like **Pfizer** Inc. and **Glaxo-SmithKline** PLC are stockpiling medicine, on orders from the British government, just in case of long delays at the border. Cadbury maker **Mondelez International** Inc. is boosting supplies of chocolate and other ingredients for the same reason. **Airbus** SE, the European plane maker, is asking suppliers to keep extra parts—potentially worth billions of dollars—on hand ahead of the March separation.

On Tuesday, **BMW** AG said it was moving up its annual weeklong maintenance shutdown at a plant in Oxford, England, to fall right after

Britain's planned departure. It said that will better protect it from any supply-chain disruptions that might stem from a disorderly breakup.

Britons voted to leave the EU in 2016. The deadline to do so: 11 p.m. local time on March 29. That is now just a little more than six months away, but London and Brussels have failed so far to agree on a deal outlining the terms of the U.K.'s exit.

Companies with business on both sides of the English Channel are grappling with many big, unanswered questions—like whether, or how, goods will be inspected along Britain's now-seamless border with the European Union.

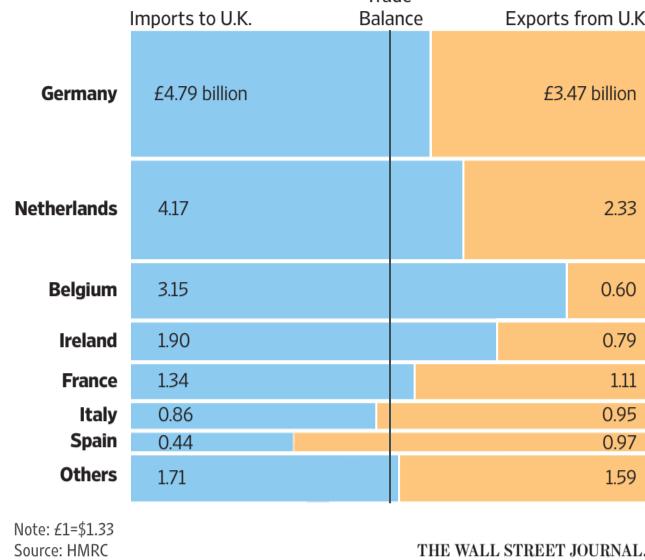
In the event the two sides don't make a deal, those goods could be subject to new tariffs. Companies also still don't know exactly how their industries will be policed in the U.K., once the country is outside the EU's regulatory net.

Airbus Chief Executive Tom Enders in July called the lack of certainty surrounding the terms of Brexit "discomforting." British and European negotiators say they expect to reach a deal, but with so little time remaining, both sides have started to warn about the

## Tough Medicine

The U.K. has a £30.17 billion trade relationship in pharma with the EU and a £6.3 billion deficit. Bar height reflects total trade value.

### Pharmaceuticals, 2016 trade between the U.K. and EU



Note: £1=\$1.33

Source: HMRC

THE WALL STREET JOURNAL.

increased likelihood of a "hard" Brexit—a split without any agreement at all.

The U.K. government has recently rolled out a series of technical papers spelling out, industry by industry, the potential fallout from a no-deal exit. British cellphone sub-

scribers, for instance, might not enjoy free roaming in the rest of Europe. A British driving license may no longer be valid on the continent.

The government also has warned companies about a range of possible disruptions to companies that a no-deal

Brexit could trigger. Warning photos on cigarette packaging in the U.K. would have to be replaced, because the copyright for the current ones is held by the European Commission, the government has said.

If there is no deal, Britain would no longer be part of a Europe-wide regulatory network for medicines. The U.K. has said tariffs for goods coming into the U.K. will default to rates set by the World Trade Organization. Frozen orange juice from Spain, now tariff-free, would be taxed at 24.4% based on WTO rates.

Financial-services firms have been girding for Brexit almost since the referendum. Banks like Credit Suisse Group AG, Deutsche Bank AG, UBS Group AG and HSBC Holdings PLC are preparing to move some of their employees out of the U.K. to European cities like Frankfurt, Paris, Dublin and Madrid. Some have begun redrawing contracts previously struck between U.K. units and EU clients to apply to their European units.

The pharmaceuticals industry has been a particular focus of concern. The British government has ordered pharmaceutical companies to increase stockpiles of medicine, to pre-

vent shortages in the event of any customs-related disruptions at the border. Almost three quarters of Britain's pharmaceutical imports come from the EU, according to a recent parliamentary report.

Pfizer said in July that it expects preparations for Brexit to cost it some \$100 million, citing regulatory, manufacturing and supply chain issues. It didn't detail those costs. Glaxo put its Brexit bill at £70 million, or about \$92 million, over the next two to three years. It said it would need to expand facilities in the U.K. and Europe to satisfy regulatory requirements if there is no deal on medical regulation.

Dechra Pharmaceuticals PLC, a small British firm that makes medicines for animals, said it is spending £1.2 million to build a new center in Europe to test products from its manufacturing site in Skipton, England.

"Everything we ship from Skipton into Europe will need to be tested again," Chief Executive Ian Page said in an email statement, "unless common sense prevails."

# Flaw in GE Turbine Hampers Utility in Texas

BY THOMAS GRYTA AND RUSSELL GOLD

General Electric Co. discovered a flaw in its newest power-plant turbines after a key part failed earlier this month, forcing utility **Exelon** Corp. to temporarily shut two Texas plants while GE makes repairs.

GE said the problem is an "oxidation issue" related to a metal alloy that could cause distress on the fan blades of its HA gas turbine, hulking machines that generate electricity for thousands of homes. GE spent years developing the HA turbines, and the more-efficient design is central to GE's efforts to compete with rivals such as **Siemens** AG in a difficult power market.

The issue was found after "an event" a few weeks ago at Exelon's Colorado Bend plant near Houston, where the utility had installed two of the new turbines in June 2017, an Exelon spokeswoman said. As a result, Exelon shut down the new turbines at the plant and two HA turbines at a second gas-powered plant Wolf Hollow near Fort Worth.

"We have identified the solution and have a plan in place to address the issue," the Exelon spokeswoman said. "We expect the unit to return to service soon."

The two plants operate in the deregulated Texas power markets. While the outages likely push up wholesale prices marginally, there haven't been any significant price spikes since the turbines were taken offline for repairs.

The problem is the latest for the GE Power unit, which



Exelon has shut down two power plants so that GE can make repairs. A gas-turbine assembly line at GE's factory in Greenville, S.C.

has been at the center of GE's financial and operational woes. The century-old business has struggled with deep losses amid a global drop in demand for power-generating equipment. The unit slashed 12,000 jobs last year as part of a broader restructuring that has also resulted in the slashing of GE's dividend, the sale of the company's locomotive business and a plan to split off its health care unit.

Shares of GE, which fell 3.1% to \$12.46 on Thursday, are off by about half in the past year.

Chicago-based Exelon was among the first utilities to install the new class of GE equipment, which promises to boost efficiency. GE has sold about 80 of the HA units and about 30 are currently in operation; the first HA turbine went into operation in June 2016. GE plans to have more than 60 in operation by 2020.

GE said it expects the oxidation issue to affect other HA turbines, but said it's not uncommon for new equipment to have "minor adjustments" after they are put into service.

The repair can take the turbines offline for several weeks, the company said. The cost of the fix isn't clear.

GE has known about the oxidation problem for months and has been working on the solution with customers, according to people familiar with the situation.

The weakening of the part—one of the many spinning blades inside the turbine—shortens the equipment's expected life. While GE knew of the problem, the people said, the failure occurred even sooner than expected.

JPMorgan analyst Stephen Tusa, who wrote about the issue in a research note to investors, said GE was seeking to play down the issue, but said it is material enough for Exelon to have to shut two power plants.

GE Power CEO Russell Stokes discussed the issue in a post on LinkedIn Wednesday, classifying it as a "teething" problem, an issue with a new complex product early in its launch. "Obviously, this was a frustrating development, for us, as well as for our customers," he said.

# Nestlé Puts Unit Under Review

BY SAABIRA CHAUDHURI AND BRIAN BLACKSTONE

Nestlé SA is exploring strategic options for its skin-health unit, a business analysts say could fetch \$4.1 billion, its latest move to narrow its focus to food and beverages as it faces pressure from an activist investor.

The Swiss consumer-goods giant Thursday didn't specifically say the unit, which generated 2017 revenue of 2.7 billion francs (\$2.79 billion), was up for sale but such reviews often end with a disposal. Nestlé recently sold its U.S. confectionery and Gerber life-insurance businesses after similar reviews.

Nestlé didn't disclose an estimated value for the skin-health division, which includes face-care products Cetaphil and Proactiv, but it could fetch about 4 billion francs, according to Jefferies analyst Martin Deboo. Mr. Deboo said the review showed a "willingness to slay sacred cows."

The move comes as Nestlé faces pressure from activist investor Daniel Loeb who took a \$3.5 billion stake in the company last year and has made a string of demands, including that it sell its stake in L'Oréal SA and the skin-health arm.

The review is likely to close the door on a business that Nestlé just four years ago touted as one of its most promising. Nestlé established its skin-health unit in 2014 after taking full control of Galderma, which added acne and skin-cancer treatment to its portfolio.

Nestlé said at the time it wanted to take a more holistic approach to health than "mere nutrition" and bolstered the unit with several acquisitions including a \$1.4 billion deal for skin-care products from Valeant Pharmaceuticals Inc.

But as sales growth slowed, investors questioned how the unit fit into Nestlé's broader business. The company had until now worked to fix problems at its skin-health business, which suffered after investing aggressively in consumer skin-care products and as patents on prescription products expired.

But on Thursday, Nestlé said it had decided the unit's growth opportunities "lie increasingly outside the group's strategic scope." It expects the review to be completed by mid-2019.

Nestlé generated nearly 90 billion francs of sales last year but is shuffling its huge portfolio of products to combat slowing growth. Chief Executive Mark Schneider had committed to shuffling 10% of Nestlé's portfolio but Thursday's announcement goes 3% above that, said Mr. Deboo.

—Alberto Delclaux contributed to this article.

# Aston Martin Aims High With Its IPO

BY WILLIAM BOSTON AND ADAM CLARK

Aston Martin, the sports-car brand made famous in the James Bond spy thrillers, on Thursday revealed an aggressive price range for its coming stock-market listing, valuing the company at up to \$6.7 billion.

The initial public offering is a milestone in the reinvention of the company by Chief Executive Andy Palmer, a former Nissan Motor Co. executive who took the wheel in 2014.

Mr. Palmer said in an interview that the ambitious pricing reflects his overhaul of Aston Martin's lineup and its return to profit. He is confidently pitching tiny Aston Martin as a luxury brand capable of rivaling the larger and more successful **Ferrari** NV in terms of profitability and market capitalization.

But some analysts are skeptical he can replicate Ferrari's success.

"We see Aston's financials as fragile, the balance sheet undercapitalized and the journey to strong profitability uncertain," Max Warburton, auto

analyst at brokerage Bernstein Research said in a note to clients Thursday.

"We believe price points and margins will remain structurally much lower than those of Ferrari, profitability more volatile and the company will face greater jeopardy in a recession," Mr. Warburton said.

Aston Martin said it would offer shares at between 1,750 pence and 2,250 pence (\$23.21 and \$29.85) each, valuing the

luxury-car maker at between £4.02 billion and £5.07 billion (\$5.33 billion and \$6.73 billion).

The company plans to float 56.8 million shares, or a 25% stake, which will be derived entirely from sales by existing shareholders. There will be an overalllotment option of up to 10% of the planned offer.

The final pricing of the share sale is expected to be announced on Oct. 3, with Aston

Martin shares scheduled to be admitted to the London Stock Exchange on Oct. 8.

The pricing is at the top end of expectations and demands a "high level of confidence" in the company's ability to deliver on its aggressive growth strategy, said Arndt Ellinghorst, an automotive analyst at Evercore ISI, a London-based brokerage. Mr. Ellinghorst suggested a price in the middle of the range would be more realistic.



An offering could value the small sports-car brand at \$6.73 billion as it tries to challenge Ferrari.

# Ad Company MDC Weighs Possible Sale

BY SUZANNE VRANICA

Advertising company **MDC Partners** Inc. is exploring a potential sale, amid a slowdown in its performance and following the exit of its chief executive, according to people familiar with the matter.

The New York company, which owns ad agencies Crispin Porter + Bogusky and 72andSunny, is dealing with cost cuts by clients, a failure to win enough new business and a heavy debt load.

MDC, which has a market capitalization of \$249 million, has seen its stock tumble almost 60% over the past year.

Boutique investment bank LionTree has recently shopped the company to potential buyers, according to some of the people. In 2016, the company hired LionTree to explore strategic options. As a result, Goldman Sachs invested \$95 million in MDC, giving it a 15% stake.

A spokeswoman for MDC Partners declined to comment.



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MEN OF IRON

HOW CHINESE HELPED  
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# Beijing and Africa Set Out Plans for Next Three Years

Leaders at summit adopt declaration on working together.  
**An Baijie** reports

**C**hina and Africa will align the Belt and Road Initiative with the development strategies of African countries to bring more opportunities for the growth and prosperity of the continent, President Xi Jinping said on Sept. 4.

Xi made the remark while presiding over the Beijing Summit of the Forum on China-Africa Cooperation held at the Great Hall of the People. The forum which was founded in 2000 brings together China and African countries.

The roundtable meeting of the two-day summit, attended by leaders from 53 African countries, was co-chaired by Xi and South Africa's President Cyril Ramaphosa.

During the meeting the countries adopted a declaration on building a China-Africa community with a shared future and an action plan for the next three years.

Leaders exchanged views on issues such as promoting China-Africa relations, deepening collaboration in all areas, building a China-Africa community with a shared future and



President Xi Jinping at a joint news conference with South African President Cyril Ramaphosa (left) and Senegalese President Macky Sall in the Great Hall of the People in Beijing on Sept. 4. WANG ZHUANGFEI / CHINA DAILY

jointly building the Belt and Road as well as global and regional issues of concern to all sides.

Xi said that over two days the summit had focused on working together to build a shared community, reaching consensus on collaboration, aligning development

strategies and advocating for China-Africa common development.

Documents adopted at the summit had set the direction for developing China-Africa ties, he said.

The countries agreed to build FOCAC into a brand for

China-Africa collaboration and a flagship example of international cooperation with Africa under the principle of achieving shared growth through discussions and collaboration, Xi said.

SEE "SUMMIT" ON P2

## On a Paper Trail

Over 12 years Liu Tong has become an acclaimed origami artist.

**Xing Wen** reports

In 2006 Liu Tong, then studying in Germany, saw a man on a bus make a paper rose and hand it to a stranger. This was the then 21-year-old Chinese student's entree to the world of origami.

In June and July Liu held a solo exhibition of origami art installations at the Eslite Bookstore in Suzhou, Jiangsu province, that featured works inspired by *Le Petit Prince*, one of the world's most-translated books.

At the exhibition were paper versions of the little prince, the fox, the snake, the iconic rose preserved in a glass dome and a room decorated with 6,700 origami roses.

Over 12 years Liu has grown from an origami novice into an origami master.

When he began he first looked online for simple origami instructions and diagrams to follow. Later he tried to improve his skills by learning from the works and methods of the French origami master Eric Joisel and Japanese origami artists such as Hojo Takashi.

"About five years after I started to learn the paper craft I attempted to create some original works," Liu



Liu Tong, origami artist  
PROVIDED TO CHINA DAILY

said, recalling that his first original origami work was a paper angel made from a wrapper of a Ferrero Rocher chocolate.

He then uploaded the video of how he made the angel, which drew considerable public attention on social media like Sina Weibo, with the video being copied by many people who imitated his work.

The following year he created wrapper figures of the 12 Zodiac constellations, sponsored by the Italian chocolate company.

SEE "FOLDING" ON P4

## Tariffs Duel Undermines Great Benefits of Trade

BY CHEN WEIHUA

The *Peak Pegasus*, a bulk cargo ship carrying 70,000 metric tons of U.S.-grown soybeans, was closely watched by millions of people on Sina Weibo on July 6 as it raced to the Chinese port of Dalian before China's 25% retaliatory tariffs took effect that day.

It failed to meet the deadline. The ship then remained at sea for a month, at a cost of \$12,500 a day, before finally docking at the port in Liaoning province on Aug. 11 and unloading its cargo the next morning. Bringing in the shipment of soybeans worth more than \$20 million incurred additional tariffs of about \$6 million.

On July 6, China placed extra tariffs on \$34 billion worth of U.S. exports, including soybeans, in response to U.S. President Donald Trump's decision to slap 25% punitive tariffs on \$34 billion worth of Chinese exports to the U.S. the same day.

U.S. tariffs on another \$16 billion worth of Chinese exports took effect on Aug. 23, and China has responded in kind.

China is the world's largest soybean importer and about 60% of U.S. soybean exports go to the country.

Last year, China bought \$12.7

billion worth of U.S. soybeans, mainly to produce cooking oil and animal feed.

The trade dispute has forced more Chinese importers to increasingly turn to exporters in South America, including Brazil, Argentina and Uruguay.

"As the largest importer of U.S. soybeans, China is a vital and robust market we cannot afford to lose," Davie Stephens, vice-president of the American Soybean Association and a Kentucky soybean grower, said in a statement in response to Trump's tariffs.

Stephens said soy growers and the rural community will see the effects of the trade dispute for years to come.

Statistics from the U.S. Department of Agriculture show that China is the largest export market for U.S. agricultural products. Total U.S. agricultural shipments to the country reached \$23.8 billion last year, accounting for 17% of the U.S. total.

With exports increasing by 700% from 2000 to 2017, the fast-rising living standards in China and the switch to a consumption-based economy were an attractive proposition for U.S. farmers and ranchers.

SEE "DISPUTE" ON P3

## Liaoning Shows Its Pulling Power

BY ZHONG NAN AND WU YONG

BMW AG is expanding a battery cell plant with its Chinese partner in Shenyang, capital of Liaoning province in Northeast China.

The 670-million-yuan (\$98.5 million) plant is one of three battery cell factories BMW operates worldwide.

It is the second phase of a high-voltage battery plant whose products will go into the iX3 small crossover vehicle in 2020.

The joint venture between BMW Group of Germany and Brilliance China Automotive Holdings Ltd. is BMW Brilliance Automotive Co. Ltd., set up in Liaoning, the industrial cradle of China, 15 years ago.

Other foreign companies attracted by Liaoning's growing consumption power and convenient logistics location, such as Coca-Cola, Thyssenkrupp AG, Siemens AG, Cargill Inc., BASF, Draexlmaier Group, ZF Friedrichshafen AG and Wurth Group all operate production, services, research and development facilities in the province.

Liaoning is looking to attract more foreign capital and knowhow especially in areas such as high-tech, services, logistics and financial sectors to retain robust growth, as it races to compete with other coastal provinces.

Liaoning — about the size of Iowa but with about 41 million more people — is looking to modern manufacturing and service industries and pushing to upgrade consumption, spurred on by central government incentives and policies.

International economic and trade collaboration in Northeast Asia is being promoted through the China (Liaoning) Pilot Free Trade Zone, which was set up in 2016.

In fact, Liaoning has become an integral part of the national strategy to build an open and new economic system, and improving the business environment is a top priority, said Chen Qiufa, Liaoning's Party chief.



We will continue to deepen institutional reform and optimize resources to ensure foreign direct investment is a more attractive proposition."

TANG YIJUN  
GOVERNOR OF LIAONING

To reach this goal, a more market-oriented mechanism and structural reform have been created and advanced. They will increase innovation and mass entrepreneurship and help international companies expand their market presence in Liaoning."

The 2018 China Top 500 Private Enterprises Summit was held in Shenyang from Aug. 29 to 31, further creating a platform for both global and domestic companies to take part in regional economic development.

"We will continue to deepen institutional reform and optimize resources to ensure foreign direct investment is a more attractive proposition," said Tang Yijun, Liaoning's governor.

In early May the province promised to further ease market access for foreign investors and has already completely opened up the province's general manufacturing to global companies. Market access to areas such as telecommunications, medical services, education, elderly care and new energy vehicles will also be expanded, the government said.

Foreign direct investment of \$3.21 billion flowed into Liaoning in the first half of the year, 14.1% more than in the corresponding period last year, and the province's foreign trade was worth \$52.25 billion, 6% more than in the corresponding period last year, the Liaoning provincial commerce department said.

## Tales of Overlooked Empresses Are Told

BY CHINA DAILY

The women of the Chinese imperial court were a special group of people throughout the country's long history. As the wives of the most esteemed rulers of the land, it is easy to imagine how magnificent their lives were, given their social standing. Yet since written records and documents focus more on the rulers, who were male, the details of the royal women's lives largely remain a mystery.

An exhibition opened recently at the Peabody Essex Museum in Salem,

Massachusetts, that sheds some light on these untold stories. Titled *Empresses of China's Forbidden City*, the exhibition features hundreds of spectacular objects from the Chinese court over the centuries.

It is the first major exhibition that explores the role of the empresses in China's last dynasty, the Qing Dynasty from 1644 to 1911, said Lynda Roscoe Hartigan, The James B. and Mary Lou Hawkes deputy director of the museum.

SEE "EXHIBITION" ON P4



A dressing case with a mirror crafted during the reign of Emperor Qianlong (1711-99) in an exhibition at the Peabody Essex Museum in Salem, Massachusetts.

JUDY ZHU / CHINA DAILY

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The roundtable conference of the 2018 Beijing Summit of the Forum on China-Africa Cooperation in Beijing on Sept. 4. WANG ZHUANGFEI / CHINA DAILY

## Summit: Trade, Aid and Expertise in the Pipeline

FROM PAGE 1

China and African countries at the summit resolved to enhance coordination and communication, firmly safeguard the open global economy and multilateral trading system, oppose trade protectionism and unilateralism, and jointly safeguard the core interests of developing nations, he said.

On Sept. 3 Xi unveiled eight major initiatives by China, including expanding imports from Africa.

"More than 1.3 billion Chinese people have been with more than 1.2 billion African people pursuing a shared future," Xi said in his keynote speech.

China will buy more goods, especially non-resource products, from Africa, and will continue its free-trade negotiations with African countries that wish to do so, he said.

China will promote industrialization in Africa with practical measures such as encouraging Chinese companies to expand their investment in Africa, supporting Africa's efforts to largely achieve food security by 2030, and launching 50 agricultural assistance projects, Xi said.

It will also offer emergency humanitarian food aid worth 1 billion yuan (\$146.5 million) to Africa, dispatch 500 senior agricultural experts to Africa and train young talent in agricultural science, Xi said.

China would work with the African Union in developing the China-Africa cooperation plan, and China would encourage its domestic companies to take part in infrastructure construction in Africa.

China and Africa should work more closely together in areas such



**More than 1.3 billion Chinese people have been with more than 1.2 billion African people pursuing a shared future."**

XI JINPING  
CHINESE PRESIDENT

as energy, transport, information telecommunications and cross-border water resources, Xi said.

China supports efforts by African countries to make better use of financial resources such as the Asian Infrastructure Investment Bank, the New Development Bank and the Silk Road Fund in line with multilateral rules and procedures, Xi said.

China would offer 50 projects involving green development and ecological protection for Africa, and strengthen exchanges with Africa in climate change, maritime cooperation, desertification control and wildlife protection.

Xi pledged to enhance communication with African countries on development experiences, offer occupational training courses for African youths, provide a quota of 50,000 government-funded scholarships for Africa and invite 2,000 young people from Africa to visit China.

He also unveiled measures to enhance communication with Africa in areas such as health, people-to-people exchanges and security.

Leaders from African countries spoke highly of the summit, saying it sent a strong signal of friendly Africa-China coordination.

COMMENT

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# Why Beijing Must Export 'Ecological Civilization'

BY ERIK SOLHEIM

Veteran poachers have killed so many elephants that they can often imitate the screams the animals make when speared. They can tell you how other elephants howl in distress when they see one of their own felled. Calves have been known to circle the disfigured body of their mother for days in mourning, even until their own death.

Behind the savagery visited on these magnificent, highly sensitive and intelligent creatures lies greed and a desire for shiny objects — sometimes rooted in trends, and sometimes tradition. It began with the early white settlers, with ivory becoming one of the great prizes of the colonial era. In recent years, however, demand has skyrocketed to match the rise in global consumer wealth, and poaching has reached an industrial scale.

Over the past decade, poachers have slaughtered more than 100,000 African elephants for their ivory — more than one quarter of the population. Many of the tusks ended up in China and other parts of Asia, where they were turned into trinkets and marketed as status symbols.

Elephants are not the only victims. The illegal trade has generated enormous profits that feed corruption and financial criminal cartels, stoking instability around the world.

That is why China's decision to ban the sale of ivory nationally, to come in line with the international ban that has been in place since 1989, deserves huge praise. The government ban will shut down the legal trade in ivory, and establish a new narrative for China's worldview: as a leader in environmental action.

Surveys in China's three largest cities found that 95% of people supported the ban because they believed it would protect African elephants. Only a few years ago, similar surveys found that average people did not even realize that an elephant had to die to obtain ivory — as the word for ivory in Chinese means tooth — many people thought it was gathered without harm.



That the ban has such widespread support is a major victory. The fight to end the slaughter, however, is far from over. While the ban sends a strong message that ivory products are now taboo, the legal trade is only a very small part of the problem.

The bigger battle lies in tackling the far larger illegal trade. Reducing demand will be a key weapon in this fight but changing minds takes years of hard work — time that the world's dwindling population of elephants may not have. It is essential that we also come down hard on the supply chain. This means tackling the booming internet trade, strengthening law enforcement, smashing the criminal cartels running smuggling operations and disrupting the tax havens where they stash their money.

Much of this will require improved security cooperation between China and countries in Africa where the slaughter, and initial trafficking, takes place.

China's influence in Africa is growing, and with the Belt and Road Initiative, it is certain to grow further. There are more than one million Chinese expats living in Africa. Chinese firms have a strong foothold in most of its 54 countries. China's reputation on the continent is also broadly positive. In attitude surveys, 70% of Africans say they view the country positively.

Better intelligence sharing with African countries could seriously disrupt the smuggling rackets and break the cartels. China could also strengthen anti-poaching teams — the embattled first line of defense against poachers — and support institutions that tackle corruption, including police and customs officials at African ports. Africa also

needs expertise in eco-tourism and alternative livelihood programs that undermine the financial incentives for poaching.

Chinese businesses can also get involved. I was in South Africa recently for the African Ranger Awards Ceremony, where Jack Ma, the cofounder of Chinese e-commerce giant Alibaba, pledged his support for wildlife conservation. He said rangers should not only be given monetary support, but also the resources and technology they need to carry out their dangerous work. That's a great example of the positive role Chinese businesses can play.

Such steps could well see China go down in history as the savior of the African elephant and other precious species — something that would be an incredible legacy.

**By sharing its phenomenal development journey, China can help Africa leapfrog the rest of the world.**

By sharing its phenomenal development journey, China can help Africa leapfrog the rest of the world. That means helping African nations steer a more considered course to industrialization. China, after all, has suffered more from pollution than most nations, and has done more to tackle it. More broadly, it means showing that the old ways of development accompanied by environmental destruction can be broken.

*The author is under-secretary-general of the United Nations and executive director of the United Nations Environment Programme. The views do not necessarily reflect those of China Watch.*



## Investment in IoT Sector Transforms the Quality of Life for Wuxi Residents

BY CHEN HONG

Internet of Things technology and connected services are being extensively used in the city of Wuxi in East China's Jiangsu province, to reinforce its position as one of the country's smartest cities.

"We have just launched a three-year action plan to establish a smart city and will soon implement a group of projects in key areas such as transportation, environmental protection and health care to make the city a better place to live in," said Li Xiaomin, Party chief of Wuxi.

"We will continue to boost the IoT sector with new ideas and new measures, to make Wuxi a smarter city," Li said.

The city ranked 17th among the world's top 20 smart cities this year and is the highest-ranked city in China according to a report by Juniper Research, a digital market research, forecasting and consultancy organization, in March.

The ranking focused on four areas — mobility, health, safety and productivity, in order to find out how technologies such as connected sensors and metering devices are able to improve public infrastructure and services, and improve the lives of local residents.

The government of Wuxi first led the country in developing its IoT industry in 2010 and has since created China's first industrial cluster for intelligent sensors, which focuses on the research of sensing chips and the design of integrated circuits.

Backed by its strong development capability, Wuxi has accumulatively rolled out more than 300 pilot projects, including 21 State-level key programs, to provide intelligent solutions and modes of operation to better serve the city, Li noted.

According to official figures, the city's IoT industry produced sales revenue of more than 243 billion yuan



**Wuxi has been ranked as one of the smartest cities in China thanks to the use of advanced technologies including the Internet of Things.** PROVIDED TO CHINA DAILY

(\$35.5 billion) in 2017, accounting for nearly half the industry's total in the province and one-fourth of the country's total in the sector.

Wang Jinjian, vice-mayor of Wuxi and Party chief of the city's Xinwu district, said 10,000 sensors have been installed across the metropolis to collect and analyze data to improve urban management, especially in the sectors of water conservation, transportation, environment and education.

For example, the application of such sensors in transportation can provide automated control of the traffic light network based on real-time traffic information, as well as being used to detect air and water quality and give out warnings when pollution occurs, Wang said.

Xinwu district, which is home to the city's high-tech zone, contributed nearly 60% of Wuxi's total IoT industry revenue, Wang said.

According to the city's three-year action plan for smart city construction, which was released in August, Wuxi will maintain its leading position in the country and will reach

an internationally advanced level by the end of 2020.

The local government will improve the efficiency of its big data application and build a big data center that will comprise five databases on population, corporations, natural resources and geographical information, e-licenses and certificates as well as public credit information.

The revenue from the IoT industry in Wuxi is projected to achieve an annual growth rate of 18% and the income from software and information services will grow by at least 15% year-on-year, the plan indicates.

The World IoT Exposition was held in the city from Sept. 15 to 18. With its first session held in 2016, it is a major annual event to showcase the development of the industry.



**The trial of LTE-V2X, a vehicle network management system, has greatly improved Wuxi's traffic flow.** PROVIDED TO CHINA DAILY

## City Tests the World's First Intelligent Traffic System

BY LI YOU

The latest progress of the world's first intelligent vehicle network management system was displayed at the 2018 World Internet of Things Exposition, China's top IoT event, held in Wuxi, Jiangsu province from Sept. 15 to 18.

The LTE-V2X, a project jointly developed by the Wuxi city government, the city's public security administration, China Mobile and Huawei Technologies, was announced in May 3, last year, with the aim of implementing IoT technologies in the city's traffic system. Trial operation has begun since then.

The system uses 4G mobile technology, remote sensors, camera image processing and RFID (radio frequency identification) to provide real-time data exchanges between vehicles on the road and the traffic network, in order to provide more efficient management and better information for drivers.

The technology also allows drivers to communicate through the 4G network, with all the data being fed to a central processing center where it can be analyzed both in real-time and for future applications.

Information can also be fed back

to drivers to inform them of traffic congestion or other situations.

One of the system's most interesting applications is its ability to recognize traffic congestion and control traffic light signals accordingly in order to help vehicles flow quickly and more smoothly.

According to the developers, the trial has covered 211 intersections scattered around Wuxi, including its downtown area, Taihu Lake New Town, roads around high-speed railway stations, the airport and five viaducts, serving 100,000 vehicles per day in the city.

In 2019, the LTE-V2X is to be applied in all the areas of Wuxi, the developers said, adding that by 2020, the city is expected to become the springboard for the wider industrial application of the system with it being promoted throughout Jiangsu province.

Xiong Wei, director of Huawei Wireless Internet LTE Product Department, said that the IoT is significant not only for Huawei, but also for the next generation of the global economy. In addition, the R&D and application of the technology is not just the company's strategy, but also the strategy for many traditional and emerging industries.

The section is sponsored by the Wuxi city government.

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BUSINESS | 3

# Dispute: 'There Is No Such Thing as a Good Trade War'

FROM PAGE 1

On Aug. 9, Han Jun, vice-minister of agriculture and rural affairs, described China and the U.S. as "strongly complementary in agricultural trade," but he warned that Trump's trade war may force China to look for alternative partners, and once that is done, U.S. farmers may find it hard to regain their market share in China.

**China-U.S. economic interdependence** stretches far beyond agriculture to almost every sector of the economy.

Last year, Boeing forecast that Chinese airlines would buy 7,240 commercial jets worth \$1.1 trillion in the next two decades.

China has announced retaliatory tariffs on small planes, not on large Boeing jets. But as the trade war escalates, such immunity may not last. A deteriorating trade relationship between the two countries could spell opportunities for Airbus, Boeing's major rival in the Chinese market.

China is Boeing's largest commercial market, with one in four planes delivered to Chinese customers. The International Air Transport Association has predicted that by 2024, China will replace the U.S. as the world's largest aviation market by passenger numbers.

China and the U.S. have seen their economies become increasingly interdependent since the late 1970s when China began its reform and opening-up drive. A rapidly growing export-oriented economy, fueled partly by foreign direct investment, has provided cheap Chinese exports to U.S. consumers.

General Motors sold more than 4 million vehicles in China last year, more than the 3 million it sold in the U.S.

China's accession to the World Trade Organization in 2001 accelerated its integration with the world economy, making the country a vital part of global supply chains, including for many U.S. companies.

By the end of last year, the cumulative value of U.S. foreign direct investment transactions in China had passed \$256 billion, and the cumulative value of Chinese FDI in the U.S., a relatively recent phenomenon, reached \$140 billion, according to the Rhodium Group in New York, which tracks two-way investment.

Bilateral trade in goods between the two countries has expanded more than 200-fold since 1979, reaching \$636 billion last year, with a \$375 billion surplus in China's favor. But the U.S. ran a \$38.5 billion surplus in services trade with China in 2017, and that figure is expected to rise rapidly as China further opens up its financial services sector.

A study by Oxford Economics last year found that China-U.S. trade supports 2.6 million jobs in the U.S., and trade with China saves an average family in the U.S. \$850 a year.

Historian Niall Ferguson and economist Moritz Schularick have used "Chimerica" to describe the two economies, due to their close links.

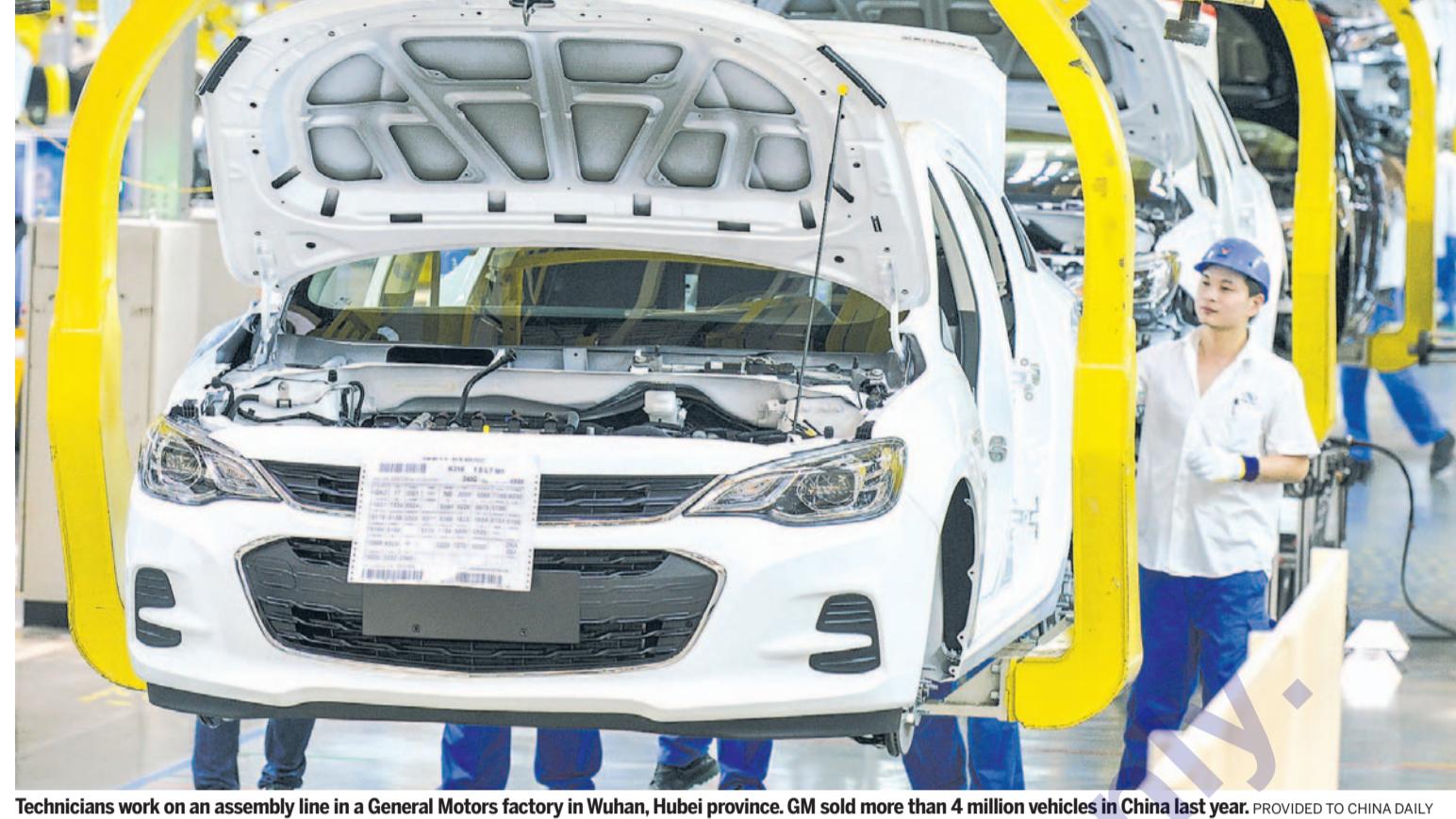
Stephen Roach, a senior fellow at Yale University's Jackson Institute for Global Affairs, said the China-U.S. relationship remains heavily co-dependent. China needs U.S. consumers and businesses to support the external demand that underpins the world's most powerful export machine.

The U.S. depends on China to provide low-cost imports that enable income-constrained consumers to make ends meet. It also relies on China as its third-largest and most rapidly growing export market as well as being a major lender of its surplus savings to help fund its large and growing government budget deficit, according to Roach, a former chairman of Morgan Stanley Asia and former chief economist at Morgan Stanley.

**Savings problem**

"Over time, I suspect that this co-dependency will diminish as Chinese rebalancing shifts the structure of demand away from exports toward internal private consumption," he said.

Roach said that as China then shifts from surplus savings to savings absorption, it will have less excess savings to lend to the U.S. — a potentially problematic outcome in light of a savings problem in the U.S. that is likely to go from bad to



Technicians work on an assembly line in a General Motors factory in Wuhan, Hubei province. GM sold more than 4 million vehicles in China last year. PROVIDED TO CHINA DAILY



A pecan farmer in Georgia with some of his crops. XINHUA



Left: A shop assistant in China presents the iPhone X. LI ZHIHAO / FOR CHINA DAILY  
Right: A Boeing factory in South Carolina. WANG YING / XINHUA



**This is highly regrettable, and will cost both countries in terms of innovation and economic performance."**

GARY HUFBAUER  
NONRESIDENT SENIOR FELLOW  
AT THE PETERSON INSTITUTE

worse as federal budget deficits expand sharply in the years ahead.

"This 'asymmetrical rebalancing' — with China saving less and the U.S. squandering the opportunity to rebuild savings — was always the greatest risk of codependency," said Roach, author of the 2014 book *Unbalanced: The Codependency America and China*.

China's economic rebalancing started after the global financial crisis in 2008 to avoid the so-called middle-income trap and to shift its economy from a model driven by exports and debt-fueled investment to a more sustainable model driven by domestic consumption, innovation and moving up the global supply chain.

This has been a remarkable success as the consumption, services and technology sectors have become new engines for China's economic growth.

A report by consultants McKinsey in May said that from high-tech unicorns to specialty chemicals, China's economy is moving swiftly beyond its lower-margin roots. (Unicorn is a term used to denote a startup company whose valuation exceeds \$1 billion).

The report said China's e-commerce market has come from almost nowhere to become the largest in the world, accounting for more than 40% of global transactions in the sector. China's mobile payments are 11 times the value of those in the U.S. thanks to

consumers' early embrace of the technology.

China has also impressed the world with its rapid infrastructure development, from high-speed railways to airports, bridges, highways and subway systems.

The rapid progress has made China not only a trade partner but also increasingly a competitor to the U.S. and other advanced economies. The growing economic relationship has also resulted in more friction.

For years, China and the U.S. engaged in dialogue, such as the annual Strategic & Economic Dialogue and the Joint Commission on Commerce and Trade, to address each other's concerns, from government subsidies and intellectual property rights protection to restrictions on high-tech exports and investment.

Trump, however, has torn up that script. Instead of engaging in dialogue, he has initiated and threatened tariffs on China and the rest of the world, including using the outdated Section 301 of the U.S. Trade Act of 1974 — which authorizes the president to take action, including retaliation, against foreign governments in certain cases — and national security as excuses.

Simon Lester, a researcher at the Cato Institute who worked as a legal affairs officer at the Appellate Body Secretariat of the World Trade Organization, said the U.S. will lose any case against the Section 301 tariffs, but litigation might take years.

"I think he (Trump) genuinely believes that bilateral trade deficits are bad. He is not the only one. He is just the loudest voice," Lester said.

Henry Levine, a senior adviser at consulting firm Albright Stonebridge Group and former U.S. deputy assistant secretary of commerce, said Trump's decision to impose punitive tariffs on China reflects two of his deeply held, long-term beliefs. These are that trade is a zero-sum game and that other countries have for decades been taking advantage of the U.S. by running trade surpluses

with it and depending on it for security guarantees without paying their fair share.

Most economists disagree with Trump's view on trade deficits, and Lester said he could line up 1,000 economists to explain why it is misguided. The U.S. has been running a trade deficit every year since 1976, a deficit caused largely by U.S. fiscal policy, the low domestic savings rate and the role of the dollar as a global reserve currency.

The country's trade deficit with China is misleading to the public, as China has become a multinational assembly line. The often-cited example is the iPhone, which has components from around the world. China adds about \$10 in labor costs, but this is calculated as more than \$300 in Chinese exports by U.S. Customs.

This saw the iPhone alone contribute \$15.7 billion, or 4.4%, of the U.S. trade deficit with China last year, according to a Reuters report.

Such complicated global supply chains led Mary Lovely, an economist at the Peterson Institute for International Economics, to conclude that Trump's Section 301 tariffs against China actually disadvantage U.S. producers and harm U.S. allies in East Asia.

David Dollar, a senior fellow at the Brookings Institution and a former U.S. Treasury emissary in Beijing, echoed the view, saying, "As the U.S. imposes tariffs (on China), half of that pain will be felt by other countries." He added that the collateral damage will include U.S. firms that produce and operate in China.

Trump has always blamed China for the loss of U.S. jobs, but most economists believe that it is automation, rather than China or Mexico, that are responsible for U.S. job losses.

Under the administration of Barack Obama, Beijing and Washington engaged in negotiations for a Bilateral Investment Treaty, which was expected to help increase their economic interdependence in the 21st century.

About 150,000 U.S. jobs are now supported by Chinese investment, according to the Rhodium Group.

The Bilateral Investment Treaty talks have stalled under the Trump administration despite the business community's argument that it is one of the Trump-favored bilateral deals that is good for the U.S.

The Trump administration has supported tighter restrictions on Chinese investment in the U.S., especially in the technology sector. The Foreign Investment Risk Review Modernization Act, or FIRRMA, which passed both chambers of Congress, was signed by Trump on Aug. 13 as part of the National Defense Authorization Act.

While FIRRMA does not claim to specifically target Chinese investment, Chinese FDI in the tech sector is expected to face the toughest scrutiny under the new law.

**Economic benefits**

The U.S. National Security Strategy released in December labeled China, along with Russia, as a revisionist power and strategic competitor to the U.S.

Gary Hufbauer, a nonresident senior fellow at the Peterson Institute, said analysis by himself and his colleagues shows that economic interdependence has been very beneficial for the U.S.

But he said that as long as Trump is president, there will be less interdependence of trade and investment.

"This is highly regrettable, and will cost both countries in terms of innovation and economic performance," said Hufbauer, a former deputy assistant secretary for international trade and investment policy at the U.S. Treasury Department.

In 2014, Hufbauer and his colleagues Fred Bergsten and Sean Miner coauthored the book *Bridging the Pacific: Toward Free Trade and Investment Between China and the United States*, in which they argue that both countries will benefit enormously from free-trade and investment accords.

Douglas Paal, vice-president for studies at the Carnegie Endowment for International Peace, said the goal of many in the U.S. administration and Congress is to reduce or even try to eliminate economic interdependency.

"It's called 'delinking' the two economies. I don't think either government realizes what the price of this might be," Paal said.

In recent articles, Roach, from Yale University, has refuted U.S. attacks on China's industrial policy, arguing that many industrialized nations have, or had, such policies.

He also dismissed the notion that foreign companies are forced to transfer their intellectual property rights in forming joint ventures in China.

"Yes, as we joined with our partners in creating China's first investment bank, we shared our business practices, proprietary products and distribution systems. Yet, contrary to the assertions of the USTR (U.S. Trade Representative), we were hardly forced into these arrangements," he said, citing his experience of forming Morgan Stanley's joint venture with China Construction Bank to establish China International Capital Corp. in 1995.

Roach said the two governments should cease and desist on tariffs. "Tariffs are bad — there is no such thing as a good trade war," he said, rebutting a Trump tweet earlier that said "a trade war is good and easy to win."

Roach said the two countries should focus on building a more robust WTO framework to handle trade disputes within the structure of the rules-based system that both have long supported.

He warned that over time, there is a risk that perception becomes reality — that the U.S. starts to believe that China is stealing proprietary technologies, and China believes that the U.S. is attempting to contain its peaceful rise.

"The longer the current dispute festers, the greater the chance those beliefs become deeply ingrained in the collective conscience of both nations. The urgency to resolve the current tensions cannot be emphasized enough," Roach said.

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## Exhibition: Tribute to a Partnership

FROM PAGE 1

"In many respects it's quite surprising that this topic hasn't been tackled before."

The exhibition features more than 200 works including imperial portraits, jewelry, garments, Buddhist sculptures and decorative art objects from the Palace Museum in Beijing and the Smithsonian Institution in Washington, many of which have never been publicly displayed before.

The exhibition, the fruit of more than four years of collaborative effort between experts in China and the U.S., highlights the growing cultural dialogue between the two countries.

"This exhibition, I think quite fittingly and quite frankly deliberately on the part of the two institutions, coincides with the 40th anniversary of U.S.-China diplomatic relations," Hartigan said.

And this legacy of cultural diplomacy is highlighted in some of the pieces on display at the exhibition.



**The portrait of Empress Dowager Cixi by American artist Katharine A. Carl in 1903.** PROVIDED BY SMITHSONIAN AMERICAN ART MUSEUM

One of the works is a 16-foot-tall oil painting of the Empress Dowager Cixi painted in 1903 by American artist Katharine Carl — the first ever female court painter in China.

The painting was later sent to the U.S. to be exhibited at the 1904 St. Louis World's Fair and was presented as a gift to President Theodore Roosevelt the following year.

"It embodies the fact that the two countries have had a long partnership and have found many ways of working together," said Jan Stuart, the co-curator of the exhibition and the Melvin R. Seiden curator of Chinese art at the Smithsonian's Freer and Arthur M. Sackler galleries.

"And we think this painting shows some of that feeling."

Daisy Yiyou Wang, the other co-curator and PEM's Robert N. Shapiro curator of Chinese and East Asian art, said, "It's very timely that we can look at the Forbidden City from a fresh perspective — that is, from a woman's perspective. This exhibition is thrilling in that it opens a silent yet colorful book about how these women helped shape the course of history."

One of the aims of the exhibition is to help people understand that women in the last dynasty found ways to show off their personal tastes and spiritual lives, Stuart said, noting that some of the empresses such as Cixi even found ways to carve out a path to further their political ambitions.

The exhibition runs through Feb. 10.

Judy Zhu contributed to this story.

# Solid Iron and Hard Labor

A photographer retraces the steps of Chinese workers who built the First Transcontinental Railroad in the United States. **Lia Zhu** reports



**Traversing mountains and deserts, Chinese photographer Li Ju retraces the footsteps of 19th century American photographer Alfred Hart, who chronicled the building of the First Transcontinental Railroad in the United States.** PHOTOS PROVIDED TO CHINA DAILY

**W**hen the "golden spike" was driven to join the tracks of the First Transcontinental Railroad across the United States in 1869, Chinese workers, who did much of the most dangerous and backbreaking work, were kept away from the widely publicized event.

Almost 150 years later, efforts are being made to give faces to those nameless workers who played such a key role in the completion of the railroad.

"The history of Chinese rail workers remains largely unknown to both Americans and Chinese," said Li Ju, a photographer from Beijing.

"People should be reminded of the Chinese workers' contribution to the U.S. economy."

Inspired by the 19th century American photographer Alfred Hart, who took images of the railroad's construction, Li has traveled the route at least once a year since 2012 to shoot the same sites as Hart.

With the help of a geographical location system, Li managed to identify all the sites captured in more than 360 photos that Hart took in the 1860s.

"Some of the sites were very difficult to locate because there were no landmarks in the photos," said Li, who is also a computer engineer.

"History and geography are closely connected. In another 150 years, with

the changes in landscapes, it will be impossible to identify those sites."

Li said he plans to donate his photos to the Chinese Railroad Workers in North America Project at Stanford University, which aims to create an online archive and digital visualizations of the era.

Two photo exhibitions featuring Li's images paired with Hart's photos are now on display at the Utah Cultural Celebration Center in West Valley City and the Museum of the San Ramon Valley in Danville, California. Both exhibitions are sponsored by the Stanford project.

"The railroads connected commerce between the west and the east," said Paul Fong, a professor of political science at the Evergreen Valley College in San Jose and a former member of the California Assembly. "People should know who built the railroads; it was the Chinese workers."

The First Transcontinental Railroad, originally known as the Pacific Railroad, was a 1,907-mile continuous track completed on May 10, 1869, linking the Pacific west coast with the Atlantic east coast for the first time in U.S. history.

Fong's great-grandfather worked on the railroad from 1897 to 1898 before he fell ill and returned to China.

"It was hard work," he said. "There was no labor protection; you had to

work long hours and workers were easily exploited back then."

Fong only learned about the role of Chinese workers in the railroad when he attended an Asian-American studies class in college.

"I was surprised that we had such a long history. People need to know they sacrificed a lot, including their lives, to build the railroad. It's a significant part of history."

The railroad, which took six years to build, was one of the most remarkable feats of engineering in the 19th century.

Chinese laborers joined the workforce for the western section, the most arduous phase of the construction, because workers from Ireland were reluctant to undertake such hazardous work.

The Chinese workers set a record for laying 10 miles and 56 feet of track in 12 hours and were considered indispensable by their foremen.

California Governor Leland Stanford reported to congress in 1865: "Without them (Chinese workers), it would be impossible to complete the western portion of this great national enterprise, within the time required by the Acts of Congress."

Chinese workers, desperate for work to support their families, left their towns and villages in Guangdong province, which were then blighted

by poverty and unrest, and boarded ships bound for California.

Historians estimate that at any one time as many as 10,000 to 15,000 Chinese laborers were working on construction of the railroad between 1865 and 1869.

The hardest and most hazardous sections of the route included the construction of tunnels at high elevations through the mountains of the Sierra Nevada range.

In winter, fierce blizzards would often block tunnel entrances and trigger avalanches that swept away the worker's camps — carrying many of them to their deaths, according to the Stanford project.

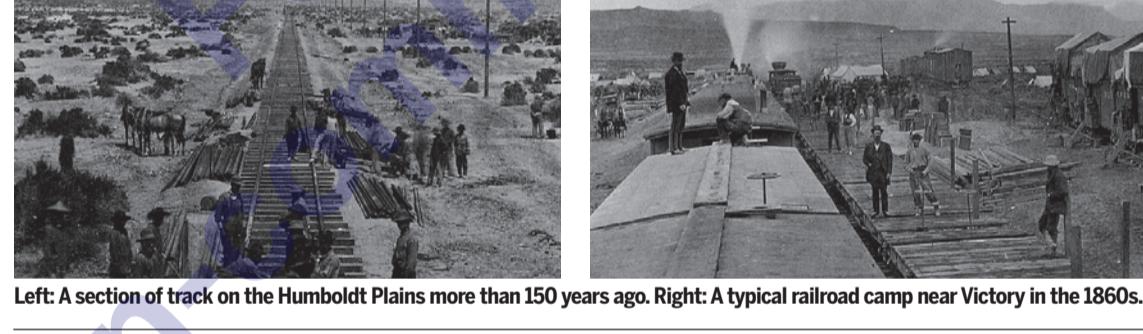
It is estimated that nearly 1,200 Chinese railroad workers died from work-related accidents, avalanches and explosions while toiling through the Sierra Nevada.

In honor of the Chinese workers and their sacrifices, the California Assembly passed a resolution last year to designate May 10 as California Chinese Railroad Workers Memorial Day.

"As a fourth-generation Chinese American, I think it is very important for all Americans to commemorate the historical significance of the experiences of Chinese railroad workers," said Evan Low, California Assembly member and author of the resolution.

He said the resolution was an important step not only to address racism in American history and society, but also to emphasize the railroad workers' contribution to the country's economy in general and the development of Silicon Valley.

Next year marks the 150th anniversary of the completion of the First Transcontinental Railroad. Many celebrations have been planned to mark the occasion, including a commemorative ceremony at the Chinese American Memorial Museum in San Jose History Park.



**Left:** A section of track on the Humboldt Plains more than 150 years ago. **Right:** A typical railroad camp near Victory in the 1860s.

## Folding: A Matter of Science and Distribution

FROM PAGE 1

Giving his take on origami, Liu, a mechanical engineering major at the University of Duisburg-Essen in Germany, said, "For me it is an art of distribution. It's about being able to use the paper scientifically."

"I use a complete sheet of square paper to create a design without using scissors or glue, and it gives me a sense of achievement when I do it."

In 2014, the year that marked the 40th anniversary of diplomatic relations between China and Gabon, Liu



A paper porcelain made by Liu Tong.  
PROVIDED TO CHINA DAILY

folded a sheet of paper (15.7in by 15.7in) into a blue and white representation of a porcelain piece that was sent as a gift to Gabon.

It took him nearly three months and hundreds of attempts to get everything right.

Creating a complicated work requires logical thinking and plenty of mathematical calculations, he said.

On the future of origami, Liu said, "To promote the old craft we need to boost its popularity among young people, and exploit its commercial value."

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The image shows the front cover of the 2018 Chinese Enterprises in the United States yearbook. The cover features several small photographs of various scenes, including business meetings, industrial facilities, and landscapes. The title 'CHINESE ENTERPRISES IN THE UNITED STATES' is prominently displayed at the top, with '2018' below it. The publisher's logo 'CHINADAILY USA' is at the bottom right.

## MARKETS DIGEST

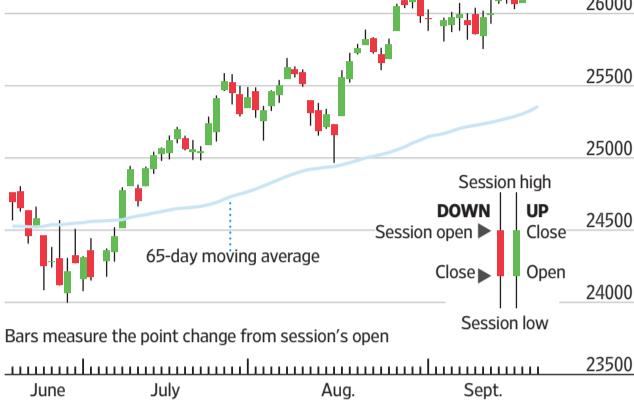
## EQUITIES

## Dow Jones Industrial Average

**26656.98** ▲ 251.22, or 0.95%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.09 20.46  
 P/E estimate \* 16.89 18.80  
 Dividend yield 2.07 2.31  
 All-time high 26656.98, 09/20/18

Current divisor 0.14748071991788



Bars measure the point change from session's open

June July Aug. Sept. 23500 24000 24500 25000 25500 26000 26500 27000 27500 28000 28500 29000 29500

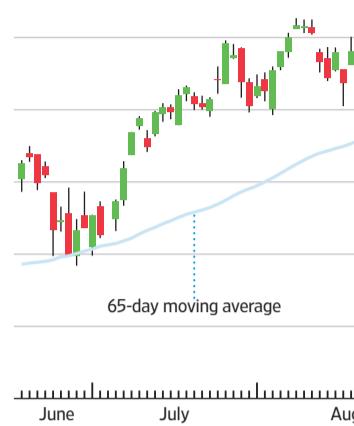
\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## S&amp;P 500 Index

**2930.75** ▲ 22.80, or 0.78%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.40 24.11  
 P/E estimate \* 17.87 19.10  
 Dividend yield 1.81 1.99  
 All-time high 2930.75, 09/20/18

65-day moving average



June July Aug. Sept. 2600 2650 2700 2750 2800 2850 2900

## Nasdaq Composite Index

**8028.23** ▲ 78.19, or 0.98%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 26.15 26.03  
 P/E estimate \* 21.55 21.67  
 Dividend yield 0.96 1.10  
 All-time high: 8109.69, 08/29/18

65-day moving average



June July Aug. Sept. 7200 7375 7550 7725 7900 8075 8250

## Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
<b>Dow Jones</b>										
Industrial Average	26697.49	26519.39	<b>26656.98</b>	251.22	0.95%	26656.98	22284.32	19.2	7.8	17.6
Transportation Avg	11596.59	11507.16	<b>11517.38</b>	3.72	0.03	11570.84	9440.87	19.1	8.5	12.7
Utility Average	725.39	715.44	<b>724.76</b>	1.73	0.24	774.47	647.90	-0.8	0.2	8.7
Total Stock Market	30428.90	30277.83	<b>30390.61</b>	238.03	0.79	30390.61	25876.47	17.3	9.8	14.0
Barron's 400	779.44	775.43	<b>778.85</b>	5.08	0.66	786.73	658.55	18.3	9.6	13.9

## Nasdaq Stock Market

Nasdaq Composite	8039.06	7986.40	<b>8028.23</b>	78.19	0.98	8109.69	6370.59	25.0	16.3	18.5
Nasdaq 100	7582.43	7523.87	<b>7569.03</b>	78.71	1.05	7660.18	5867.35	27.5	18.3	20.5

## S&amp;P

500 Index	2934.80	2919.73	<b>2930.75</b>	22.80	0.78	2930.75	2496.66	17.2	9.6	14.4
MidCap 400	2046.54	2034.69	<b>2045.20</b>	14.94	0.74	2050.23	1762.83	16.0	7.6	13.1
SmallCap 600	1079.96	1072.96	<b>1079.92</b>	9.62	0.90	1098.36	868.96	24.3	15.3	17.2

## Other Indexes

Russell 2000	1720.21	1704.71	<b>1720.18</b>	17.25	1.01	1740.75	1444.18	19.1	12.0	13.9
NYSE Composite	13238.74	13173.71	<b>13225.11</b>	103.14	0.79	13637.02	12127.92	9.0	3.2	9.7
Value Line	590.85	586.02	<b>590.62</b>	4.60	0.78	593.57	528.00	11.9	5.0	8.9
NYSE Arca Biotech	5242.06	5150.54	<b>5239.64</b>	108.57	2.12	5342.46	4045.25	26.0	24.1	9.5
NYSE Arca Pharma	592.30	585.90	<b>591.64</b>	6.52	1.11	593.12	516.32	8.7	8.6	1.9
KBW Bank	110.88	109.68	<b>110.54</b>	1.32	1.21	116.52	96.78	13.8	3.6	16.7
PHLX® Gold/Silver	67.59	65.91	<b>66.79</b>	0.10	0.16	92.08	61.92	-21.4	-21.7	11.1
PHLX® Oil Service	146.63	144.93	<b>145.10</b>	1.28	0.89	170.18	127.61	7.9	-3.0	-5.0
PHLX® Semiconductor	1392.80	1381.01	<b>1387.67</b>	15.99	1.17	1449.90	1126.40	21.3	10.7	31.5
Cboe Volatility	11.96	11.31	<b>11.80</b>	0.05	0.43	37.32	9.14	22.0	6.9	-19.1

\$ 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
Micron Technology	MU	15,275.0	43.10	-2.96	-6.43	48.77	42.45
SPDR S&P 500	SPY	9,993.3	293.83	0.25	0.09	293.95	291.24
Van Eck Vectors Gold Miner	GDX	6,791.5	18.96	0.03	0.16	18.97	18.83
iShares MSCI Emg Markets	EEM	5,840.7	43.10	0.07	0.16	43.11	43.00
Invesco Actively Mgd ETC	PDBC	5,664.3	18.23	...	unch.	18.23	18.23
iShares MSCI Emg Mkts	IEMG	3,903.2	51.85	-0.10	-0.19	51.96	51.85
Ford Motor	F	2,868.5	9.79	-0.02	-0.20	9.83	9.75
iShares MSCI EAFF ETF	EFA	2,520.0	68.60	...	unch.	68.61	68.59

## Percentage gainers...

Steelcase	SCS	138.0	18.80	2.65	16.41	19.00	16.15
India Global Cap	IGC	824.0	2.31	0.16	7.44	2.34	2.09
ADT	ADT	67.8	9.15	0.23	2.58	9.17	8.92
CME Group Cl A	CME	53.8	178.50	4.12	2.36	178.50	174.26
Signet Jewelers	SIG	120.9	68.47	1.34	2.00	68.47	66.88

## ...And losers

United Natural Foods	UNFI	199.6	30.24	-3.

## COMMODITIES

WSJ.com/commodities

## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
	Open	High	hi	lo	Low	Settle	Chg	Open interest
<b>Copper-High (CME)</b> -25,000 lbs.; \$ per lb.								
Sept 2.7085	2.7500	2.7015	2.7210	0.0110	1,577			
Dec 2.7270	2.7800	2.7065	2.7400	0.0105	140,416			
<b>Gold (CME)</b> -100 troy oz.; \$ per troy oz.								
Oct 1204.40	1208.50	1201.00	1206.60	2.70	32,623			
Dec 1208.80	1213.20	1205.10	1211.30	3.00	367,480			
Feb'19 1214.00	1218.20	1212.00	1217.00	3.00	41,432			
June 1225.70	1230.00	1223.50	1228.60	2.90	12,212			
Aug 1233.30	1235.50	1233.10	1234.50	2.90	2,205			
Dec 1243.10	1248.20	1241.90	1247.00	2.90	5,007			
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.								
Sept 1060.00	1060.00	1060.00	1066.80	13.40	23			
Dec 1028.60	1047.50	1025.70	1044.20	13.40	18,525			
March'19 1020.00	1038.90	▲ 1019.80	1036.50	12.80	760			
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.								
Oct 824.00	836.30	818.70	834.20	12.30	48,763			
Jan'19 825.80	839.00	820.90	836.90	13.20	37,884			
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.								
Sept 14,190	14,245	14,190	14,215	0.026	1,280			
Dec 14,285	14,385	14,210	14,305	0.025	176,574			
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.								
Oct 71.32	71.81	▲ 70.73	70.80	-0.32	26,210			
Nov 70.90	71.35	▲ 70.03	70.32	-0.45	42,285			
Dec 70.64	71.05	▲ 69.81	70.06	-0.46	301,098			
Jan'19 70.37	70.76	▲ 69.64	69.88	-0.40	166,532			
June 69.66	69.40	▲ 68.55	68.75	-0.27	175,170			
Dec 67.19	67.45	▲ 66.70	66.94	-0.20	237,246			
<b>NY Harbor ULSD (NYM)</b> -42,000 gal.; \$ per gal.								
Oct 2.2458	2.2622	2.2254	2.2280	-0.0186	80,606			
Nov 2.2512	2.2656	2.2292	2.2321	-0.0179	101,574			
<b>Gasoline-NY RBOB (NYM)</b> -42,000 gal.; \$ per gal.								
Oct 2.0230	2.0354	2.0074	2.0146	-0.0061	55,410			
Nov 2.0111	2.0232	1.9941	2.0013	-0.0072	168,987			
<b>Natural Gas (NYM)</b> -10,000 MMBtu; \$ per MMBtu.								
Oct 2.909	2.991	2.886	2.976	0.068	69,830			
Nov 2.883	2.975	2.875	2.964	0.082	282,767			
Dec 2.953	3.038	2.943	3.031	0.080	175,415			
Jan'19 3.043	3.123	3.033	3.117	0.076	198,528			
March 2.889	2.943	2.873	2.938	0.055	211,130			

## Cash Prices | WSJ.com/commodities

Thursday, September 20, 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.

Source: Dow Jones Market Data

Thursday

## Energy

Propane,tet,Mont Belvieu-g	1,0482
Butane,normal,Mont Belvieu-g	1,2406
NaturalGas,HenryHub-i	3,000
NaturalGas,TranscoZone3-i	2,950
NaturalGas,TranscoZone6NY-i	2,880
NaturalGas,PanhandleEast-i	1,740
NaturalGas,Opal-i	2,190
NaturalGas,MarcellusNE PA-i	2,500
NaturalGas,HaynesvilleLA-i	2,840
Coal,CApcL,2500Btu,12S02-r,w	74,300
Coal,PwdrRvrBsn,8800Btu,0.8S02-r,w	12,100

## Metals

<b>Gold, per troy oz</b>	1208.70
Engelhard industrial	1229.35
Handy & Harman base	1208.35
Handy & Harman fabricated	1341.26
LBMA Gold Price AM	*1203.30
Krugerrand wholesale-e	1255.07
Maple Leaf-e	1267.14
American Eagle-e	1267.14
Mexican peso-e	1463.04
Austria crown-e	1185.91
Austria phil-e	1267.14
<b>Silver, troy oz.</b>	14,2600
Engelhard industrial	17,1120
Engelhard fabricated	17,1120
Handy & Harman base	14,2400
Handy & Harman fabricated	17,8000
LBMA spot price	*10,17600

## Fibers and Textiles

Burlap,10-0z,40-in NY yd-n,w	0.5700
Cotton,11/16 std lw-mdMphs-u	0.7722
Cotton' A'-Index	**88.15
Hides,hvy nntn steers piece fob-u	n.a.
Wool,64s,staple,Terr del-u,w	n.a.

## Grains and Feeds

Barley,top-quality Mnpls-u	n.a.
Bran,wheat middlings,KC,u-w	82
Coarse, No.2 yellow,Cent IL-bp,u	3,0600
Corn gluten feed,Midwest,u-w	112.9
Corn gluten meal,Midwest,u-w	442.3

## Fats and Oils

Cottonseed meal,u-w	258
Hominy feed,Cent IL-u,w	95
Meat-bonemeal,50% pro Mnpls-u,w	238
Oats,No.2,milling,Mnpls-u	2,9150
Rice, Long Grain Milled, No.2 AR-u,w	24.75
Sorghum,(Milo) No.2 Gulf-u	7,2763

## Food

Beef,carcass equiv,index	1,14,180
Coarse, No.1 yellow IL-bp,u	10,611
Spring,14%pro Mnpls-u	817.0
Wheat,Engelhard industrial	829.0
Wheat,Engelhard fabricated	929.0
Palladium,Engelhard industrial	1055.0
Palladium,Engelhard fabricated	1155.0
Aluminum,LME,\$ per metric ton	*1981.0
Copper,Comex spot	2,721.0
Iron Ore,62% Fe CFR China-s	n.a.
Shredded Scrap, US Midwest,s,m	n.a.
Steel,HRC,USA,FOB Midwest Mill-s	n.a.

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Barley,top-quality Mnpls-u	n.a.
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Corn gluten feed,Midwest,u-w	112.9
Corn gluten meal,Midwest,u-w	442.3

## 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 Global Select.

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 20, 2018

Net

Stock Sym Close Chg

A B C

ABB ABB 24.32 0.22

ADT ADT 8.92 0.55

AES AES 13.81 0.22

Aflac AFL 47.89 0.21

AGNC inv AGNC 18.77 0.06

ANGI Homesvcs ANGI 23.11 0.24

Ansys ANSS 183.75 0.52

ASML ASML 191.49 2.44

AT&amp;T T 33.44 0.07

AbbottLabs ABT 68.79 0.29

AbbVie ABBV 92.68 1.66

Abmoldm ABMD 381.98 5.23

Accenture ACN 174.13 0.99

ActivisionBliz ATVI 80.65 1.07

AcuityBrands AYI 161.13 3.50

AdobeSystems ADBE 266.34 1.46

AdvanceAuto AAP 169.55 0.01

AdvMicrODevices ADM 31.18 0.03

Aegon AEG 6.44 0.15

AerCap AER 57.31 0.11

Aetna AET 205.20 0.47

AffiliatedMtrs AMG 146.01 0.37

AgilentTechs ALI 71.13 1.57

AgnicoEagle AEM 35.15 0.26

AirProducts APP 170.42 1.25

AkamaiTech AKAM 74.17 0.43

AlaskaAir ALK 67.95 0.07

Albermarle ALB 106.60 1.11

Alcoa AIA 42.93 0.30

AlexandriaREst ARE 126.24 0.80

AlexionPharm ALXN 124.61 2.64

Alibaba BABA 165.88 3.25

AlignTech ALGN 37.98 0.10

Alkermete ALKS 41.11 1.53

Alleghany Y 646.99 5.76

Allegion ALLE 90.91 0.33

Allergan AGN 215.51 4.48

AllianceData ADD 247.80 0.11

AlliantEnergy LNT 43.12 0.28

AllianTransm ALSN 52.99 1.08

Allstate ALL 102.03 0.33

AllyFinancial ALLY 27.58 0.36

AlnylamPharm ANLY 95.21 0.39

Alphabet A GOOGL 119.57 17.30

Alphabett C GOOG 118.67 15.78

Altiba AABA 68.35 1.26

AlticeUSA ATUS 19.24 0.25

Altria MO 62.24 0.42

AlumofChina ACH 10.77 0.05

Amazon.com AMZN 1943.00 17.88

Ambev ABEV 4.62 0.05

Amdocs DOX 66.15 0.17

Amerco UHAL 357.99 2.52

Ameren AEE 64.13 0.22

AmericaMovil A AMOV 16.42 0.22

AnadarkoPetrol APC 63.86 0.90

AnalogyDevices ADK 95.1 2.52

Andeaor ADVR 15.26 2.30

AndeaorLog ANDX 49.9 0.48

AB InBev BUD 91.93 2.00

AnnCap NLY 31.03 0.03

AnterResoures ARN 19.75 0.19

Antenn ANTM 274.12 2.27

Aon AON 155.16 0.08

Apache APA 45.67 1.13

Apartmentlnv AIV 44.46 0.44

ApolloGlbMgmt APOL 35.21 0.77

AppL APL 220.03 1.66

AppMaterials AMAT 39.39 0.35

Aptgroup ATR 110.49 0.64

Aptiv APTV 89.77 2.47

AquaAmerica ARTW 37.12 0.26

Aramark ARMK 43.04 0.19

ArclorMittal MT 323.38 1.25

ArchCapital AGCL 30.2 0.07

ArcherDaniels ADM 50.33 0.39

Arconic ARNC 22.66 0.22

Aristone REIT ATR 147.83 1.15

AmerWaterWorks AWK 88.43 0.85

Ameriprise AMP 149.42 0.99

AmerisourceBrgn ABR 91.0 1.67

Amtek CTM 81.38 0.42

Amgen AMGN 205.10 1.90

Amphenol APH 96.06 0.69

AnadarkoPetrol APC 63.86 0.90

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ArcherDaniels ADM 50.33 0.39

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AquaAmerica ARTW 37.12 0.26

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## BANKING &amp; FINANCE

# Fund to Cut Pay for Market Laggards

Peter Kraus's new firm bases manager compensation on investment returns

BY JUSTIN BAER

Reality met Peter Kraus in a 2015 board meeting. It just took him a few days to accept it.

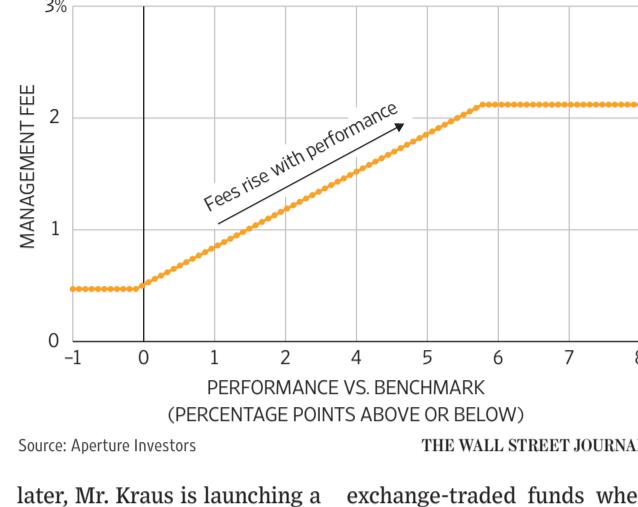
Heidi Messer, a director at **AllianceBernstein Holding LP**, warned the asset manager's chief executive during the meeting that passive investing funds were changing his industry forever: "You can say whatever you want, but that's a low-cost-disrupter."

Herself a founder of startups, Ms. Messer had seen industries turned upside-down by technology-savvy newcomers offering cheaper products. **AllianceBernstein**, and its peers, were next.

Mr. Kraus played down the threat, but within days called Ms. Messer to concede she was right. Now, three years

## Paid for Performance

Wall Street veteran Peter Kraus's new asset-management firm will charge fees based off of investment performance.



Source: Aperture Investors

THE WALL STREET JOURNAL.

later, Mr. Kraus is launching a new business to fight back.

The new venture, **Aperture Investors LLC**, builds on a concept he championed in his last months at **AllianceBernstein**: Money managers should only charge higher fees than

exchange-traded funds when they beat the market. Armed with as much as \$4 billion in money to manage from Italian insurer Assicurazioni Generali SpA, Aperture has hired two portfolio-management teams. One will invest in stocks and

bonds from emerging markets and the other will buy or bet against corporate debt.

Aperture is putting more than its fees at stake. Employees will be paid based on how they perform against the market. "What's different," Mr. Kraus said, "is that we as a firm are paid only on performance."

Broad performance fees aren't new in asset management. For decades, hedge funds have made performance a factor in the fees they charge clients. Big pensions and other retirement systems have been willing to dial up the fees they pay to managers that outperform. Some investment firms have offered so-called fulcrum mutual funds with fees that vary slightly with performance.

In the past year, a handful of firms including **AllianceBernstein** have launched fulcrum funds whose costs approach ETF levels when their results disappoint.

Mr. Kraus said his new outfit will go a step further by

basing a big chunk of employees' pay on whether they've outperformed—and clawing back some portion of their bonuses if they don't. The wrinkle is more radical than it might seem, potential clients said. By staking compensation on the same performance goals, it is doubling down on a bet that its managers will perform well from the start.

If they don't, the pressure on them to recover will be immense, the would-be clients said, and could lead them to take outsize risks to catch up. Mr. Kraus said Aperture uses five years of performance when it calculates long-term pay, giving managers time to build a track record. An initial year of bad performance would only affect that year's pay, he added.

Aperture also intends to use social-media and mobile platforms to turn its new managers into stars accessible to ordinary investors.

Mr. Kraus arrived at **AllianceBernstein** in 2008 as it

was reeling from the financial crisis. It wasn't an easy decade; the rise of passive investing has been relentless, pressuring **AllianceBernstein** and other stock- and bond-picking firms.

Then, Mr. Kraus tried to return the firm to prominence with a new idea: launching performance-fee funds. Securities and Exchange Commission officials approved the concept.

But in 2017, **AllianceBernstein**'s parent company, French insurer AXA SA, fired Mr. Kraus along with his independent directors. AXA's new team clashed with Mr. Kraus over his management style, *The Wall Street Journal* reported last year. Mr. Kraus declined to discuss the details of his departure.

"I never believed I could build my own companies, because I didn't think I was passionate enough," Mr. Kraus said. Entrepreneurs "are basically passionate.... I never thought I had that." "But I had that about this."

## Denmark Reopens Money-Laundering Probe

BY PATRICIA KOWSMANN AND DREW HINSHAW

Danish authorities reopened an investigation into a Russia-linked money-laundering scandal at their country's largest bank, as investors looked to assess the impact after the lender admitted to letting \$233 billion move through a single Eastern European branch.

The Danish Financial Supervisory Authority said Thursday that it would revisit a probe at **Danske Bank** that it had closed in May, when it reprimanded the bank and ordered it to set aside \$800 million in capital for any risks. The regulator can't directly impose fines, but it can report its findings to the police and deem executives unfit. Employees at the bank's Estonia branch are under investigation by Estonian prosecutors for allegedly helping customers from Russia and other ex-Soviet Union states spirit ill-gotten gains abroad.

The move by regulators comes after Danske Bank published a report Wednesday saying employees had failed to run basic background checks on thousands of customers who lived outside the Baltic country. Customers often deposited money in cash. Investigators the bank hired suspect a "large portion" of those transactions were laundered money, the report said.

U.S. officials have expressed concern that Denmark, a founding member of the North Atlantic Treaty Organization, didn't do more to crack down on inflows of illicit Russian wealth at a time of heightened tensions between Moscow and the West. The report has embarrassed officials in the Scandinavian country, which is often ranked among the world's most transparent.

Danish politicians have called for swift punishment



Thomas Borgen, who has resigned as CEO of Danske Bank, walked behind Chairman Ole Andersen at a Wednesday press event.

for any employees or executives found to be involved and steeper fines for such behavior going forward. On Wednesday, Danske Bank's CEO Thomas Borgen resigned.

Separate from Denmark's banking regulator, prosecutors there are investigating alleged money-laundering crimes.

"This is a serious case," Danish State Prosecutor Morten Niels Jakobsen told The Wall Street Journal.

The renewed probe increases pressure on Danske, whose shares have fallen almost a third this year as the size of the scandal kept growing bigger. Analysts have estimated fines between \$600 million to billions of dollars if

the U.S. decides to impose its own. Analysts say the bank has enough capital to withstand even a large fine.

The biggest risk, analysts and regulators have said, is that Denmark's largest bank could be cut off from the global dollar-led financial system. Under U.S. law, the Treasury has the power to restrict the flow of U.S. dollars to a foreign bank suspected of laundering money, a penalty known as the "death blow sanction" because it often sends lenders into financial collapse. U.S. authorities can also use threats of that penalty to force the bank to settle for steep fines.

The Justice Department,

Treasury Department and the Securities and Exchange Commission are each examining the bank, the Journal reported this month. Danske officials said Wednesday they aren't aware of any U.S. investigations.

"There's huge uncertainty around the scale of any fines, with the U.S. being the biggest question mark," Berenberg analyst Adam Barras said.

Danske Bank, one of the 25 largest banks in Europe by assets, doesn't have a banking subsidiary in the U.S., but does operate a securities arm there. It also has several U.S. dollar bond issues that were marketed to U.S. investors.

Danske Bank's shares rose

Thursday as some investors concluded the bank was unlikely to face stiff penalties from Danish or U.S. regulators. The bank has said it so far as found no evidence that it breached U.S. sanctions.

But it also hasn't checked some 8,000 clients out of the 15,000 its Estonian branch managed. Nor has it checked whom those clients sent their money to, the bank said Wednesday.

"The problem with the bank is, it's a matter of luck," said John Byrne, CEO at Corlytics, a regulatory risk intelligence firm. "If there's any party on a U.S. sanction list that they've processed transactions for, that's where the trouble starts."

## WeWork To Launch VC Fund

BY YULIYA CHERNOVA

**WeWork Cos.** is launching a venture fund to invest in "the future of work" and other startups, according to people familiar with the plans.

Emily Keeton, who joined WeWork last year as global head of mergers and acquisitions, is now managing director at WeWork Creator Fund. Ms. Keeton is planning to assemble a team of about five people behind the effort, according to a person familiar with the situation.

The move is another way in which WeWork is tapping its significant funding and revenue for expansion purposes after the company and its subsidiaries gathered more than \$6 billion in equity and debt funding.

WeWork has already been an active acquirer of startups over the past 12 months, buying companies including education startup MissionU, marketing-software specialist Conductor and group-organizing platform Meetup.

The size of WeWork's fund couldn't be determined. It has started taking outside capital that will add to the balance-sheet resources it is dedicating to the fund, one of the people said. The fund has already started evaluating startup deals, the people said.

WeWork Creator Fund will seek out social-impact startups, as well as those in the future-of-work category, one person said. Those will include technologies for human resources, recruitment, training and education, employee experience and real estate. The fund also will house existing investments that WeWork has made through its \$20 million Creator Awards initiative.

STREETWISE | By James Mackintosh

## There Have Never Been So Many Bonds That Are Almost Junk



Investors often turn to corporate-bond markets for early warning of trouble, and currently find reassurance that all is well. But look closer and the real message is that hidden risks are building. The next downturn could be more painful than usual for creditors, with knock-on effects for shareholders.

Credit markets send two classic signals: The first shows excessive risk taking, when companies pay very little above Treasury bonds—as in the late 1990s and 2007, and again today. This is a handy reminder that lenders have thrown caution to the wind, but is hard to use because history tells us that bond yields can stay low for a very long time before trouble hits.

The second signal alerts when easy borrowing periods are coming to an end, with the riskiest corporate bonds selling off before

shareholders realize the danger. Trouble appeared in U.S. junk bonds months before the S&P 500 peaked in 2007, and gave several weeks' notice of the 2011 sell-off. It isn't infallible—the dot-com bubble carried on for two years after the 1998 bond sell-off—but is worth watching.

At the moment investors may be scratching their heads. The first signal is flashing, but the second is confused. U.S. junk bonds have been doing great, suggesting nothing is wrong, even as higher-quality bonds sell off.

The option-adjusted spread—a standard measure of the extra yield over Treasuries on U.S. junk bonds is down to post-Lehman Brothers lows, although not quite as low as in either of the past two economic cycles. But in the larger investment-grade universe the spread is up 0.25 percentage point from its low in January, hitting quality companies with the equivalent of an extra

Federal Reserve rate rise. What is going on?

The explanation is that high-quality bonds aren't as high-quality as they used to be, while junk bonds are a little safer than they were. This summer for the first time more than 40% of the value of U.S. corporate bonds was rated BBB, just eking over the line into investment grade, and an even higher proportion was BBB in Europe.

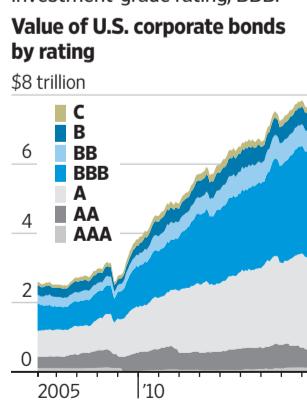
Back in 2007, bond spreads were a little lower than today, but a smaller slice of bonds was on the bottom rung of investment grade and so at risk being downgraded to junk; only 26% of U.S. bonds were rated BBB, and only 20% of euro-zone bonds, according to Intercontinental Exchange data.

Chief financial officers have been borrowing as much as they can get away with without their debt being classed as junk, because the move to junk leads to sharply higher borrowing

### BBB My Baby

The explosion of corporate bonds since the last recession has been led by the lowest investment-grade rating, BBB.

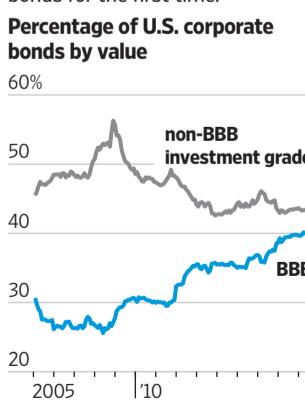
#### Value of U.S. corporate bonds by rating



Source: ICE Data Services

The lowest investment-grade rating category makes up more than 40% of all U.S. corporate bonds for the first time.

#### Percentage of U.S. corporate bonds by value



THE WALL STREET JOURNAL.

amount to about half of the existing size of the \$1 trillion U.S. junk market. In Europe those close to the edge would add about 35% to the €347 billion (\$405 billion) junk market if all were downgraded.

The good news is that after the 2008 crunch, lots of bond-fund managers changed their rules to allow them to hold at least some bonds that weren't part of their benchmark, so they wouldn't have to dump downgraded paper immediately. But it isn't clear whether they could cope with the scale of downgrades that might result from the changed structure of the market.

All this is bad news for investors only if things go wrong. If the economy keeps growing and defaults stay low, more debt is great for shareholders and fine for bondholders. Investors should recognize the extra risks they are running mean they face greater losses if they are wrong about growth.

## MARKETS

# High Yields Trigger Buying of Treasurys

BY DANIEL KRUGER  
AND SAM GOLDFARB

U.S. government-bond prices rose Thursday as investors took advantage of a recent jump in yields to buy the debt at relatively attractive levels.

**CREDIT MARKETS** The yield on the benchmark 10-year Treasury note retraced an early climb to near 2018 highs and fell to close at 3.076% from 3.081% Wednesday. The decline snapped a streak of five consecutive sessions of higher yields. Yields fall as bond prices rise.

Bond prices declined early in Thursday's session, then rose as investors locked in Treasury securities at the highest yields since May. Some investors said that yields appear to be near the top of their forecasts for 2018 and that modest inflationary pressures suggest there might not be much more driving them higher this year. Muted inflation is good for the value of government bonds because it preserves the purchasing power of their fixed interest and principal payments.

"It's not surprising that some people have been using this as an opportunity to lock in higher yields," said Gary Pollack, head of bond trading at Deutsche Bank Private Wealth Management.

Yields have climbed recently as the tone of trade talks between the U.S., Mexico and Canada has improved, curbing some of the risk that friction between the U.S. and its major trading partners could disrupt global growth. Decisions by central banks in emerging markets to raise interest rates has also calmed markets and reduced anxiety, investors and analysts said.

"Risk concerns that lingered in early September after being quite ugly in August have diminished quickly," said Jim Vogel, head of interest-rate strategy at FTM Financial.

**AUCTION RESULTS**

Here are the results of Thursday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

NINE-YEAR, 10-MONTH TIPS	
Applications	\$28,282,243,500
Accepted bids	\$11,000,007,500
"noncompetitively"	\$13,803,500
Auction price (rate)	98.890361 (0.910%)
Interest rate	0.750%
Bids at clearing yield accepted	13.36%
Cusip number	912828Y58

The Treasury inflation-protected securities, dated Sept. 28, 2018, mature on July 15, 2028.

**U.S. Debt Auctions**

The Treasury Department will auction \$213 billion in securities next week, comprising \$106 billion in new debt and \$107 billion in previously sold debt. Details (all with minimum denominations of \$100):

♦ **Monday:** \$48 billion in 13-week bills, a reopening of an issue first sold on June 28, 2018, maturing Dec. 27, 2018. Cusip number: 912796QQ5.

Also, \$42 billion in 26-week bills, a reopening of an issue first sold on March 29, 2018, maturing March 28, 2019. Cusip number: 912796PX1.

Also, \$37 billion in two-year notes, dated Oct. 1, 2018, maturing Sept. 30, 2020. Cusip number: 912828SB2.

Noncompetitive tenders for both issues of bills must be received by 11 a.m. EDT Monday and competitive tenders, by 11:30 a.m. For the notes, the deadlines are noon and 1 p.m., respectively.

♦ **Tuesday:** \$17 billion in one-year, 10-month 0.043% floating-rate notes, a reopening of an issue first sold on July 31, 2018, maturing July 31, 2020. Cusip number: 912828Y53.

Also, \$38 billion in five-year notes, dated Oct. 1, 2018, maturing Sept. 30, 2023. Cusip number: 912828SD8.

Noncompetitive tenders for the FRNs must be received by 11 a.m. Tuesday; competitive tenders, by 11:30 a.m. For the five-year notes, the deadlines are noon and 1 p.m., respectively.

♦ **Thursday:** \$31 billion in seven-year notes, dated Oct. 1, 2018, maturing Sept. 30, 2025. Cusip number: 9128285C0.

Noncompetitive tenders must be received by noon Thursday; competitive tenders, by 1 p.m.

# Big Oil Propels New Fracking Era

Chevron, other giants leverage their size against the industry's bottlenecks and costs

BY BRADLEY OLSON

FOX CREEK, Alberta—Fracking is entering a new expansion phase in this Canadian town more than 2,000 miles from the center of the U.S. oil boom—one that heavily favors the world's energy giants.

Chevron Corp. is laying the groundwork here for what it calls a "factory model" for shale drilling, master planning an entire region of small shale wells by locking up labor, building infrastructure and securing sand and other needed materials, all at once.

Shale drilling, once the province of small, scrappy operators, has run into growing pains in places such as the Permian Basin in Texas and New Mexico, as producers struggle with pipeline bottlenecks and rising labor and material costs.

Big oil companies seeking to re-create the U.S. shale boom in countries such as Canada and Argentina are trying to avoid these problems by managing shale sites in concert to prevent logistical difficulties and streamline operations, similar to how they run traditional oil megaprojects.

Already in Texas, there is evidence that larger companies such as Chevron and Exxon Mobil Corp. are weathering the bottlenecks and rising costs there better than smaller rivals—and continuing to ramp up production—because they have the economies of scale and wherewithal to develop their own solutions to these problems.

The big international oil companies were initially slow to recognize the potential of fracking and found themselves behind the competition in the first phase of the shale boom



Workers at a Chevron well site in Fox Creek, Alberta. The company is building infrastructure for an entire region of small shale wells.

as smaller operators locked up land and stepped up production in places such as North Dakota and Texas. But they have since become major competitors in the Permian Basin, and are trying to leverage large footprints in the region into tangible shale profits—something that has eluded many of their smaller rivals.

"They can transfer technology and skilled people across assets and parts of their portfolio from North America to Argentina," said Andrew Slaughter, executive director of the Center for Energy Solutions at Deloitte LLP. "These bigger companies have the scale to build or finance infrastructure and secure the best equipment and supplies. They have come to shale in quite a material way."

The "bigger is better" mantra has started pushing smaller operators toward a

push for higher and higher oil prices!" Mr. Trump said in a morning post on Twitter. "We will remember. The OPEC monopoly must get prices down now!"

Oil prices had been rising in the overnight session, but declined immediately after the tweet, and remained lower during the New York session Thursday.

Mr. Trump's comments follow a nearly 10% rise over the past 30 days in the price of West Texas Intermediate, the U.S. benchmark for crude oil.

That has helped send the average price of gasoline for U.S. consumers to \$2.86 a gallon, compared with \$2.83 a month ago and \$2.59 a year ago, according to price-tracking service GasBuddy. In July, Mr. Trump partially blamed the Organiza-



THE WALL STREET JOURNAL.

tion of the Petroleum Exporting Countries for rising prices. The president's remarks come just ahead of a meeting in Algeria this weekend among key members of OPEC and Russia-led non-OPEC oil producers, where they are likely to discuss prices and production.

Earlier this week, Saudi Arabia officials reportedly indicated they would be comfortable with oil prices rising a bit more, at least temporarily, and those reports may be what set off the president.

Thursday's decline in oil prices followed a nearly 2% rise Wednesday after a weekly report from the U.S. Energy Information Administration showed U.S. crude inventories had fallen by 2.1 million barrels last week, to 394 million barrels.

—Dan Molinski

and-natural-gas companies that don't own refineries are on track to reach almost \$300 billion for 2017 and 2018, the highest two-year merger volume in more than two decades, according to Dealogic. The biggest tie-ups have occurred in the Permian Basin, where oil this year has sold at a price as much as \$20 a barrel below global benchmarks because of bottlenecks and other constraints.

As Chevron seeks to expand shale drilling globally, it is taking lessons from Texas oil fields and from a model it pioneered in Southeast Asia in the 1990s. In the Gulf of Thailand, Chevron drilled thousands of wells to access isolated pockets of oil and gas. Over time, Chevron learned the value of standardizing equipment and processes to save money and keep costs low.

Earlier this decade, as the company began to turn its attention to fracking, teams of engineers working in Canada, Texas and Pennsylvania began visiting Thailand to see how they could improve in the U.S. oil patch. "Shale was a great fit because of the quantity of wells you're going to drill, the repeatability, well designs and rig types," said Kim McHugh, vice president of drilling and completions at Chevron. "It's a working ecosystem."

In Fox Creek, about 160 miles northwest of Edmonton, Chevron is putting what it has learned into practice. That includes the use of underground data sensors linked via fiber-optic cables to analyze continuing fracking jobs, which blast rock layers with water, sand and chemicals. The company uses the resulting information to make adjustments and stimulate the release of more trapped oil and gas.

But it is also making changes to account for local conditions—and leveraging its size.

At a remote well site in Alberta, Chevron built a facility that functions like a grain elevator and can store 1,800 tons of the sand that drillers use in fracking. The storage unit allows Chevron to continue drilling and avoid having to wait for deliveries from dozens of trucks a day. That is especially important after spring, when frost here melts and road bans stemming from the thaw's effects can limit accessibility.

Chevron hasn't disclosed how much oil and gas it might ultimately produce from the region. Analysts were once skeptical about the company's Canada prospects, but many now say its position might be worth billions of dollars.

## SEC Defends Its Enforcement

BY DAVE MICHAELS

Wall Street shouldn't relax its standards just because its regulator looks less muscular these days, according to a top federal official.

The Securities and Exchange Commission is still policing wrongdoers, even if the volume of its enforcement actions and dollar amount of its fines drop this year, Stephanie Avakian said Thursday in remarks prepared for a conference in Dallas.

The SEC rejects the premise "that numbers—standing alone—can adequately measure the success or impact of an enforcement program," said Ms. Avakian, the SEC's co-director of enforcement.

"Any assessment that suggests our effectiveness should be measured solely based on the number of cases we bring over any particular period of time is misguided," Ms. Avakian said, according to a copy of her speech.

The SEC hasn't revealed its enforcement statistics for fiscal year 2018, which ends on Sept. 30. Total fines ordered through SEC enforcement activity fell 7.2% in 2017 to about \$3.8 billion, the lowest total since 2013, according to SEC figures.

The SEC's affinity for judging enforcement based on fines has ebbed and flowed. Former SEC Chairman Mary Jo White, who ran the regulator during the Obama administration, insisted the agency's settlements should "have teeth."

The commission under Ms. White annually touted the record number of cases it brought and the penalties it obtained.

### \$3.8B

Fines ordered through SEC enforcement activity in 2017

Jay Clayton, the current chairman, has said the SEC should balance the desire to punish companies with the harm such fines have on shareholders. Mr. Clayton has said he believes punishing guilty individuals "drives behavior more than corporate accountability."

Ms. Avakian didn't say in her prepared speech how the 2018 totals will differ from prior years. But she suggested they could fall again, partly

due to Supreme Court decisions that have curbed the SEC's ability to recoup funds for burned investors.

The high court, in the 2017 decision *Kokesh v. SEC*, said the regulator has five years to sue bad actors after a fraud occurs. That limited the SEC's ability to get people and companies to give back all of the ill-gotten gains they received as a result of misconduct.

SEC officials have previously said the decision prevented them from getting more than \$800 million in fines that they could have sought under the law before the *Kokesh* decision.

"That number will continue to go up over time," Ms. Avakian said in the speech prepared for the University of Texas School of Law's Government Enforcement Institute.

Ms. Avakian also said the SEC's enforcement program was challenged by "transition and personnel changes, as well as structural changes."

The securities regulator has been unable to fill many enforcement slots due to a federal hiring freeze. Some of the SEC's regional offices have suffered significant personnel migrations to the private sector.

## Eventbrite Shares Surge 59% in First Trading Day

BY MAUREEN FARRELL  
AND BOWDEY TWEH

Eventbrite Inc. shares jumped sharply in their market debut, reflecting strong early demand from investors in the ticketing and event-services company.

The stock closed Thursday at \$36.50, up 59% from its initial public offering price.

Eventbrite's IPO raised \$230 million in proceeds after it priced at the high end of a range between \$21 and \$23 a share. That range was raised earlier this week from its prior target between \$19 and \$21 each. The stock-price bump pegged Eventbrite's valuation near \$3.4 billion on a fully diluted basis.

A flurry of companies are pursuing IPOs this year. IPO activity on U.S. exchanges is at its highest level since 2014, with 169 companies pricing offerings as of Wednesday that have raised \$47.6 billion, up 42% from this time last year, according to Dealogic.

Investors have shown a hunger for the growth that can come with emerging technology firms such as Eventbrite, which uses its tech platform to help users with the management and ticketing of their live events.

Eventbrite Chief Executive Julia Hartz said in an interview Thursday that during the pre-IPO roadshow, potential investors were particularly excited about the size of the company's potential market. "There's a vast green field of opportunity."

Newly public tech companies have posted stellar performances in 2018, far outpacing gains in broader stock indexes, on average. So far this year, U.S.-listed technology and internet companies are up an average of 48% from their IPO prices, according to Dealogic. U.S.-listed IPOs are up 29%.

Eventbrite is trading under the symbol EB on the New York Stock Exchange. The company sold 10 million class A shares for \$23 each and it plans to use proceeds from the offering to pay down debt and other corporate purposes.

Like many technology companies that have made debuts in recent years, Eventbrite has a dual-class structure that gives the founders and some investors 10 votes a share, compared with one vote a share for investors buying shares in the public markets. Ms. Hartz said investors didn't voice concerns about this structure.

## MARKETS

## Stock Shake-Up Looms in Friday Session

BY ASJYLYN LODER

Get ready for a frenzied day of trading on Wall Street.

Investors on Friday will have to contend with the scheduled rebalancing of several major indexes, and the expiration of heavily traded futures and options contracts, a quarterly collision that traders call "quad witching." That is in addition to big changes by two of the world's largest index providers to a widely used system that organizes companies based on where they fit in the global economy.

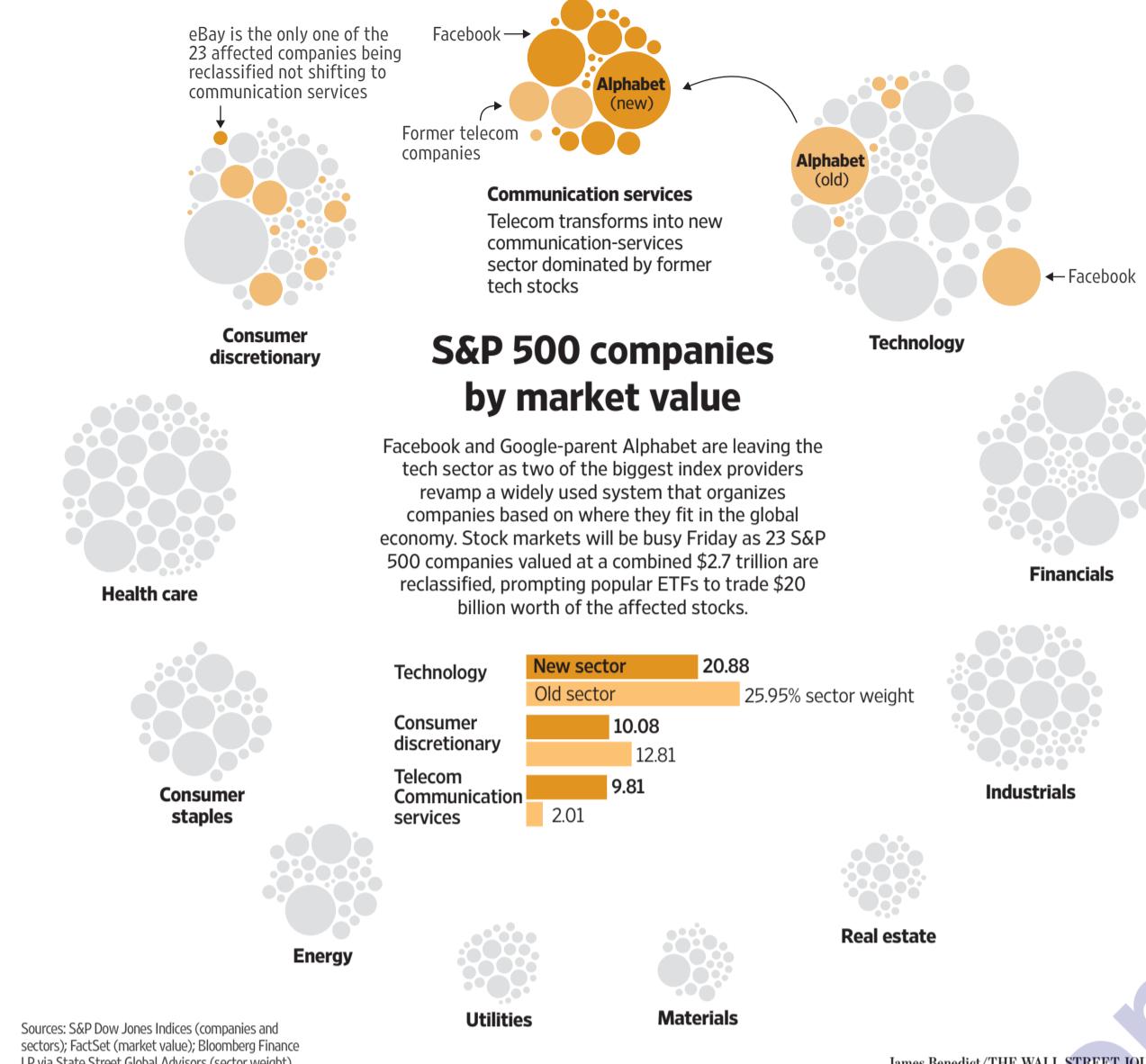
The shuffling, which will affect 23 S&P 500 companies worth a combined \$2.7 trillion is tied to changes in the way index providers classify companies according to industry. Although a seemingly esoteric exercise, it has real-world implications, especially for stocks such as Facebook Inc., Twitter Inc. and Google parent Alphabet Inc. that will leave the technology sector to join a new "communication-services" segment.

"There are a lot of assets that are going to be moving around," said Matthew Bartolini, head of SPDR Americas Research at State Street Global Advisors, issuer of some of the biggest ETFs caught up in the reshuffle.

All told, investors following major S&P indexes will have about \$55 billion in trading to do to realign with their new benchmarks, Victor Lin, a trading strategist at Credit Suisse AG, estimated. That includes more than \$20 billion in shares that will be bought and sold by ETFs just because of the shuffling of the sectors, he said.

All but one of the affected companies will move into the newly dubbed communication-services sector, the revamped version of what used to be "telecommunication services."

Six companies will shift over from "information technology," while Walt Disney Co.;



Sources: S&P Dow Jones Indices (companies and sectors); FactSet (market value); Bloomberg Finance LP via State Street Global Advisors (sector weight)

the broader S&P 500 had waned over the years because of consolidation in the industry, and the group could swing wildly when the stock price of just one company moved.

All three of the current constituents will be part of the new communication-services group, and the telecommunications sector will no longer be focused on staid dividend-paying stocks, said Jon Maier,

chief investment officer at Global X, an ETF issuer with about \$10 billion in assets.

The changes mark the most significant overhaul of the Global Industry Classification Standard, or GICS, since it was created in 1999 by index providers MSCI Inc. and S&P Dow Jones Indices. The system sorts more than 46,000 securities worldwide into 11 different sectors, which are then

further subdivided into industries and subindustries.

Traders don't expect the shuffling to trigger a surge in volatility. Wall Street has had plenty of time to prepare for the changes since they were first announced last year, said Nick Kalivas, senior equity ETF product strategist at Invesco.

"It's not like it's going to be a shock," Mr. Kalivas said. "If it came out of the blue, then

the potential for dislocation and volatility would be much higher."

All of the affected ETFs are likely to see outsize volumes and flows as big investors adjust their holdings. But most of the activity will be in large, heavily traded stocks that can absorb the higher volumes, said Josh Lukeman, a managing director at Credit Suisse.

The biggest trades will likely come from State Street's popular Select Sector SPDR lineup. The \$23 billion technology ETF will need to sell eight million shares of Facebook and two million shares of Alphabet, almost 16% of the fund's assets, according to firm's website. The \$16 billion consumer-discretionary fund, meanwhile, will have to unload \$2.5 billion worth of Comcast, Disney and Netflix shares, 16% of its assets.

At BlackRock Inc., three ETFs worth a combined \$3.2 billion will rebalance Friday. Invesco has five ETFs with combined assets of almost \$2.7 billion that will be rebalancing Friday.

Unlike other index providers, Vanguard Group began rebalancing its ETFs four months ago. The \$22 billion Vanguard Information Technology ETF has since sold all of its holdings in Facebook and Alphabet, according to FactSet. Those companies are now the top two holdings of the former Vanguard Telecommunication Services ETF, which has been renamed for the new communication-services sector. The \$3.2 billion Vanguard Consumer Discretionary ETF sold off all of its Netflix and Disney stock.

Some investors have likewise begun to shuffle their holdings. In June, State Street launched a communication-services ETF to track the newly created sector. The fund has picked up \$257 million in the past month, pushing assets up to \$668 million, according to FactSet.

## HEARD ON THE STREET

FINANCIAL ANALYSIS &amp; COMMENTARY

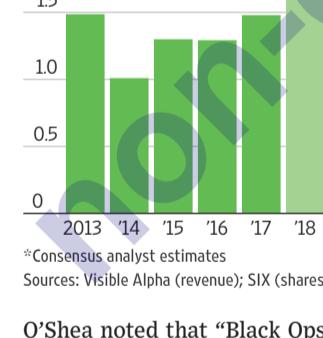
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## Activision to Challenge 'Fortnite'

## Bulletproof

Activision Blizzard's 'Call of Duty' revenue per year\*



Activision Blizzard share price



O'Shea noted that "Black Ops 4 viewership" topped the Twitch network—which streams live gameplay—on Sept. 10, when the trial launched. Ben Schachter of Macquarie said the trial shows Activision "has been able to nail" the battle royale mode for its new game.

Activision's share price

has jumped more than 8%

since the start of the beta.

The strong buzz bodes well for Activision, which already faced high expectations for its biggest release of the year. Analysts expect revenue from the "Call of Duty" franchise to jump 27% this year to about \$1.9 billion, according to consensus estimates from Visible Alpha. That would help offset

projected declines from other big games such as "Destiny," which faces a difficult comparison with a major sequel launched last year.

Activision has other big games, including popular Blizzard titles such as "World of Warcraft" and "Overwatch" along with lucrative "Candy Crush" mobile franchise. But "Call of Duty" is Activision's biggest property by far. Analysts estimate the franchise will account for nearly one-quarter of the company's adjusted revenue this year, according to FactSet.

Activision needs this game to do very well. And as popular as "Call of Duty" is, that wasn't exactly a given, as this fall is crowded with other big shooter releases along with an expected new season for "Fortnite." And while Activision's stock might look a bit stretched, a strong "Call of Duty" should help investors score a few more points. —Dan Gallagher

## Investors in Darden Should Ask for Check

Customers are lining up to eat at Olive Garden and other Darden Restaurants eateries, but investors should be looking for the exits.

Shares of Darden, which also owns LongHorn Steakhouse and The Capital Grille, have soared more than 240%, compared with 66% for the S&P 500 Restaurant subindex, in the roughly four years since its chief executive announced his resignation amid a battle with activist investors.

Fiscal first-quarter results released Thursday morning brought more good news, helping to send Darden's shares to a record before a midmorning reversal. The results also gave a snapshot of cost pressures affecting the broader industry.

Both sales and earnings per share beat analyst expectations. Same-restaurant sales rose at most of Darden's restaurants, notably Olive Garden, which logged a 5.3% gain. Overall sales at Darden rose by 6.5% and earnings per share jumped by 35% compared with a year earlier.

The tight labor market hurt results. The company said labor costs were 0.7 per-

centage point higher as a share of sales compared with a year earlier, but a drop in food, marketing and other restaurant costs more than offset the rise.

President Trump's tariff battles and countermeasures by some big buyers of U.S. agricultural products have depressed prices for some staples but Darden, like most big chains, has hedges in place. The trade impact, helped by some bumper grain crops, may be more favorable next year.

This might be as good as it gets for the shares though. The most important factor boosting U.S. restaurant chains these days is consumer confidence and lower taxes rather than lower costs.

The tax effect is a one-off, though. And restaurant traffic is already very high. So are restaurant valuations.

Both Darden and its industry are well past their housing-bubble peak in terms of enterprise value to prospective earnings before interest, taxes, depreciation and amortization.

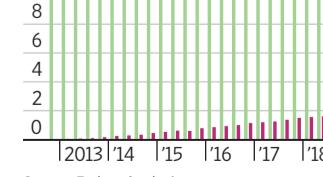
It is best not to risk indigestion after a feast like this.

—Spencer Jakab

## Whoever Wins Sky Will Need Caution

## Self-Disruption

Sky's subscribers in the U.K. and Ireland by technology



mon ownership.

A less appreciated element of Sky's appeal is that it has done an impressive job—so far—of negotiating the challenges of cord-cutting and technology transition that also overshadow the U.S. TV industry.

Five years ago, Sky was overwhelmingly a satellite-based TV provider. Now 14% of its customers in the U.K. and Ireland, its most mature market, get its cheaper streaming product, Now TV, according to estimates by Enders Analysis. Yet its subscription revenue over this period have risen steadily—they were up 3% for the financial year through June.

Sky's main financial challenge hasn't been customers

migrating to Netflix, but the expense of sports rights. This problem seemed to abate in February, when the English Premier League raised less in an auction of three-year rights than it did the previous time around.

Even if prices rise, Sky's brand is so tightly bound up with sports that it has to pay up.

Sky has to be congratulated for dodging these bullets with its profit largely intact. But TV's digital transition has only just begun—and soon it will be Disney or Comcast facing them. The cost-cutter's ax probably isn't the best defense. Whoever ends up buying Sky will need to tread very carefully.

—Stephen Wilmot

## OVERHEARD

Someone in Liberia definitely deserves a red card, but the referees will have a difficult time figuring out who.

The government of President George Weah, former world footballer of the year, has launched an investigation into the disappearance of 16 billion Liberian dollars in freshly printed bank notes equivalent to \$104 million or about 5% of the turbulent African nation's gross domestic product. They were ordered from abroad.

Mr. Weah has pointed the finger at, among others, one of the sons of former President Ellen Johnson Sirleaf and the former head of the central bank. But who is the culprit? The bank notes arrived during the former administration but cleared customs after Mr. Weah's January swearing-in, according to local media reports. Ms. Sirleaf told an interviewer that the charges are meant to "impugn" her administration's legacy.

This weekend's auction for Sky is the start of an acutely sensitive management challenge, not the end.

Whichever U.S. media giant—21st Century Fox, backed by Walt Disney, or Comcast—prevails in the final battle for the European pay-TV leader will end up paying a high price. Sky stock currently trades at £15.80 (\$20.96), more than double the level before Fox's first bid, 7% above Comcast's latest £14.75 offer and equivalent to 22 times prospective earnings.

The temptation will be to justify the capital outlay by extracting big cost savings. In fact, the winner should pay more attention to preserving the brand.



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estate lists for  
\$30 million **M10**

HOMES | MARKETS | PEOPLE | REDOS | SALES

# MANSION

THE WALL STREET JOURNAL.

**What's Olde  
Is New**  
English manse  
gets a modern  
makeover **M4**



Friday, September 21, 2018 | **M1**

**ARCHITECT**

Tom Lenchek

**FIRM**

Prentiss  
Balance  
Wickline  
Architects

**SPECS**

1,700 square  
feet, two  
bedrooms, two  
bathrooms

**COST**

\$900,000  
(original plus  
renovation)



**ARCHITECTS**

Ray and Mary  
Johnston

**FIRM**

Johnston  
Architects

**SPECS**

1,400-square  
feet, one  
bedroom, 1½  
baths

**COST**

\$600,000

## Modernism Meets The Great Outdoors

**ARCHITECT**

Stefan  
Hampden

**FIRM**

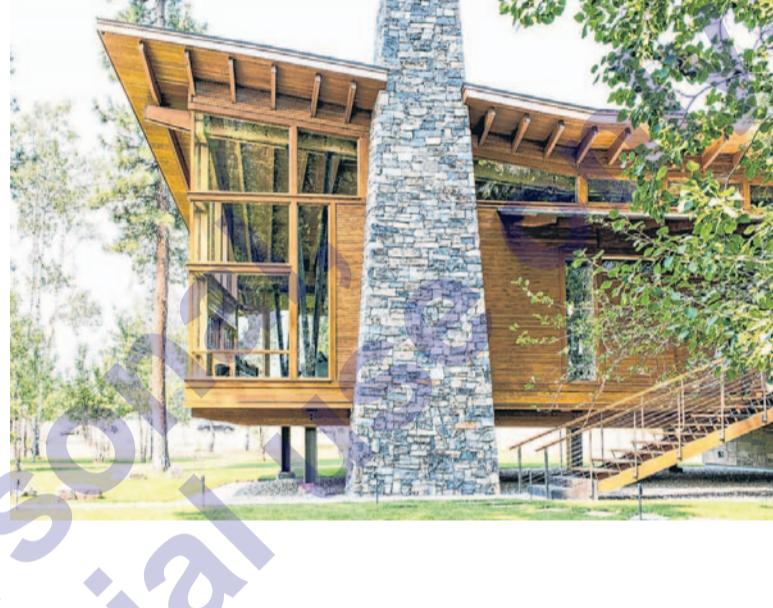
Cast  
Architecture

**SPECS**

2,200-square-  
feet, three  
bedrooms,  
three baths

**COST**

About  
\$880,000



**ARCHITECT**

Nils Finne

**FIRM**

Finne  
Architects

**SPECS**

3,136 square  
feet, four  
bedrooms, four  
bathrooms

**COST**

\$800,000

WIQAN ANG FOR THE WALL STREET JOURNAL (4); GARETH PHILLIPS FOR WSJ (ENGLISH MAKEOVER)

By NANCY KEATES

**O**ut in the middle of nowhere in Washington state, in an extreme land where temperatures surge over 100 degrees in the summer and drop well below zero in the winter, is a growing community of striking modern homes designed by some of Seattle's best architects.

These houses are mostly second homes, owned by Microsoft and Amazon executives, lawyers and other professionals, who trek some 200 miles east from Seattle across the Cascades to the Methow Valley, a 70-mile stretch that includes areas of pristine wilderness. The high-end houses are referred to as "cabins" because of their size—an average of 1,500 square feet—and their simple designs, which feature sloped, shed-like roofs, rusted metal exteriors and a rustic appearance despite all the glass.

Winthrop (population 430), along with Mazama

Drawn to the pristine wilderness, affluent outdoor enthusiasts are flocking to Washington state's Methow Valley and embracing the 'shackitecture' aesthetic that blends rustic elements with contemporary design.

(pop. 970) and Twisp (pop. 952), are the three towns in the Valley with the highest concentration of what are called Methow Modern homes. They are located along 22 miles of highway between the Cascade Mountains and a tributary of the Columbia River, each with its own distinct character.

A decade ago, the Valley, with a total population of under 6,000, was dotted with traditional ranch and log houses. Back in the 1970s, Winthrop was even turned into a faux Western town to attract tourists and has a Westernization Committee charged with maintaining the theme.

The area has lured people seeking a place of untarnished natural beauty with accessible outdoor activity—an antidote to Seattle that isn't as full of vacationing Seattleites as many closer destinations. It isn't unusual for these vacationers to become year-round residents, joining a community of craftsmen, farmers and like-minded environmental conservationists. The Valley still has no chain restaurants

Please turn to page M6

**HOUSE CALL | TWIGGY**

## In the '60s, She Was Modeling's Mod Girl

A haircut launched the career of a pert 16-year-old who became a global fashion sensation.



Twiggy posing for a fashion shoot in London in 2015.

*Twiggy Lawson, 69, is a model, actress and singer who, starting in 1966, personified the look of "swinging London." She currently designs her own clothing line with her daughter, Carly, and is the author of several books, including "Twiggy: A Life in Photographs" (National Portrait Gallery). She spoke with Marc Myers.*

Virtually overnight in early 1966, I became a top model and global name at age 16. At the time, I didn't really see what all the fuss was about. As a teenage girl, I thought I was too thin and had a boyish figure.

My family had no experience with such

things. Working-class girls didn't become models. Fashion was for the wealthy, and couture models were tall and had an upper-class air about them.

I grew up in Neasden, a quiet suburb in northwest London. I was the youngest of three sisters, and my parents spoiled us with love.

Our house was fairly typical for the area. It was a semidetached, three-bedroom brick house built in the 1930s.

My middle sister, Vivian, is seven years older than me. Shirley is 15 years older and was like a second mum to me. By the time I was 15, she was married and out of the house. As

Please turn to page M12

**SIGNATURE MOD LOOK**  
Three pairs of fake eyelashes;  
no lipstick or makeup



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**WOLF** **SUB-ZERO** **COVE**  
SHOWROOM  
[subzero-wolf.com/showroom](http://subzero-wolf.com/showroom)

## PRIVATE PROPERTIES

# A Punchcard Inventor's Historic Home Lists in D.C.



FROM TOP: GORDON BEALL; LIBRARY OF CONGRESS (2)

## New York Home of Anthony Bourdain On the Market

The New York apartment owned by the late chef and television personality Anthony Bourdain and his wife Ottavia Busia is coming on the market for \$3.7 million.

Mr. Bourdain and Ms. Busia purchased the apartment at Carnegie Hill

Tower on East 94th Street for \$3.35 million in January 2014, according to property records. Mr. Bourdain died of an apparent suicide

in June while in France filming a segment for his series "Anthony Bourdain: Parts Unknown."

The couple was estranged. Ms. Busia had been a hostess at Le Bernardin and, more recently, a Brazilian jujitsu instructor. She declined to comment.

Located a block from Central Park, Carnegie Hill Tower has a full-time doorman, a garage, an exercise

room and a bicycle room. The roughly 2,250-square-foot apartment is currently configured as five bedrooms, according to the listing agency Stribling & Associates. The kitchen has a six-burner Wolf gas range, granite countertops and custom cabinetry. It

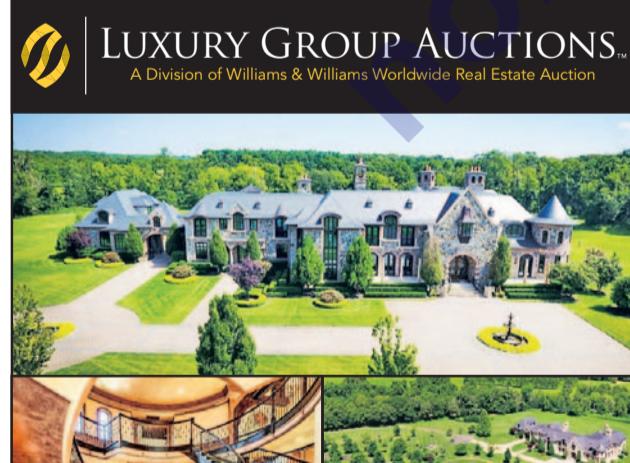
also has a wooden countertop specifically designed for baking.

Stribling agent Elizabeth Fishman, who is handling the sale, declined to comment on Ms. Busia's reasons for selling. Mr. Bourdain left the bulk of his \$1.2 million estate to his daughter, Ariane, whom he shared with Ms. Busia, court records showed.

—Katherine Clarke



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A Washington, D.C., property built for Herman Hollerith, the engineer behind the machines that laid the foundation for the development of computers, is coming on the market for \$18.75 million.

The Georgetown property was built about a century ago for Mr. Hollerith. His family owned it until 1996, according to architect and interior designer Todd Davis, who was one of the purchasers of the home at that time.

Mr. Hollerith's punchcard tabulating machines "made it possible for the first time for government and business to process large amounts of information in an efficient, economic and timely way," according to the book "Herman Hollerith: Forgotten Giant of Information Processing," by Geoffrey D. Austrian. Mr. Hollerith's company was eventually amalgamated into IBM.

The current owners are Rock Tonkel, chief executive of investment firm Arlington Asset Investment, and his wife, Jill. They bought the home in 2005 for \$8.5 million, public records show, and said they spent millions of dollars restoring it.

Mr. Tonkel said he and his wife sought to retain as much of the original character of the home as possible. They restored the original intercom system, reinstalling all the innards, to serve as a display piece. They also restored a set of large pocket doors separating the dining room from the living room. They turned a glass conservatory where they were told Mr. Hollerith's wife Lucia, a co-founder of the Georgetown Garden Club, had done her gardening, into a kitchen. From

1	2	3	4	5	6	7	8	9	10	Off	S	A	C	E	A	o	o	g	EB	SB	Ch	Sy	U	Sh	Hk	Br
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A	1	1	1	1	1	0	25	A	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
B	2	2	2	2	2	5	30	B	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	
C	3	3	3	3	3	0	3	C	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	
D	4	4	4	4	4	1	40	D	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	
E	5	5	5	5	5	2	C	E	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	
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there, they can look out to the garden, which still features some of Ms. Hollerith's original specimen trees and plants. Members of the Hollerith family have visited the home, Mr. Tonkel said.

The roughly 11,000-square-foot Georgian-style home has a 45-foot living room with two fireplaces, a formal dining room, seven bedrooms, garage parking for four cars and an elevator, according to the listing.

Mr. Tonkel, 55, said he and his wife moved to the property, which sits on 0.6 acres, when their children were still in school. The three children enjoyed playing lacrosse and touch football on the lawn, he said. Now that the children are all college age, he and his wife are looking to downsize.

Mark Lowham and Anj Murphy of TTR Sotheby's International Realty have the listing.

—Katherine Clarke



children to have their own bedroom and a backyard large enough for a horse.

In the affluent neighborhood of Los Altos, the approximately 4.55-acre compound overlooks the first fairway of the Los Altos Golf and Country Club. The four-bedroom main house has a formal dining room, a living room with a limestone fireplace, a library, a billiards and recreation room and a wine cellar and tasting room.

The property also contains a three-bedroom guesthouse, a grotto-style swimming pool, a lighted tennis court, a putting green, a bocce court, a barn and a vineyard. Mr. Kennedy said a local winery uses the grapes and gives him and his wife more than 100 bottles of Merlot a season. There is also an orchard with cherry, plum, apple, pear and nectarine trees.

Mr. Kennedy said he retired from his position as president and chief executive of Avaya, a communications-technology company, earlier this year and is now a senior managing director at Blue Ridge Partners, a management-consulting firm. He said he and his wife are selling because they plan to spend more time at their second home in La Quinta, Calif., and have purchased a smaller home nearby.

Greg Goumas and Arthur Sharif of Sotheby's International Realty have the listing.

—Katherine Clarke

## Estate of Intel's Robert Noyce Asks \$21.8 Million

A Silicon Valley compound once owned by Robert Noyce, the "Mayor of Silicon Valley" who co-founded Fairchild Semiconductor and Intel, is going on the market for \$21.8 million.

Mr. Noyce died in 1990. Kevin Kennedy, the property's current owner, bought the home for \$5.5 million in 1999, public records show. He said neighbors and former Intel employees have told him how the home's dining room often served as Intel's boardroom in its early days.

Mr. Kennedy said former employees also told him that Mr. Noyce's property used to include a tree swing,

where Mr. Noyce and his colleagues would "swing like Tarzan" into a pond.

Mr. Noyce bought the home in 1960, just as his semiconductor business was taking off and he had a string of patents in the works, according to Leslie Berlin's book "The Man Behind the Microchip: Robert Noyce and the Invention of Silicon Valley."

"At 33, Noyce had more money than he or anyone else in his family had ever possessed, more than he could ever imagine spending," Ms. Berlin wrote. She called the French-style home "nice but not ostentatious," saying it had enough space for each of Mr. Noyce's



A Rockefeller heiress's former estate lists for \$30 million. **M10**

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Gale Keenan, 516.627.4440, c.516.353.8800



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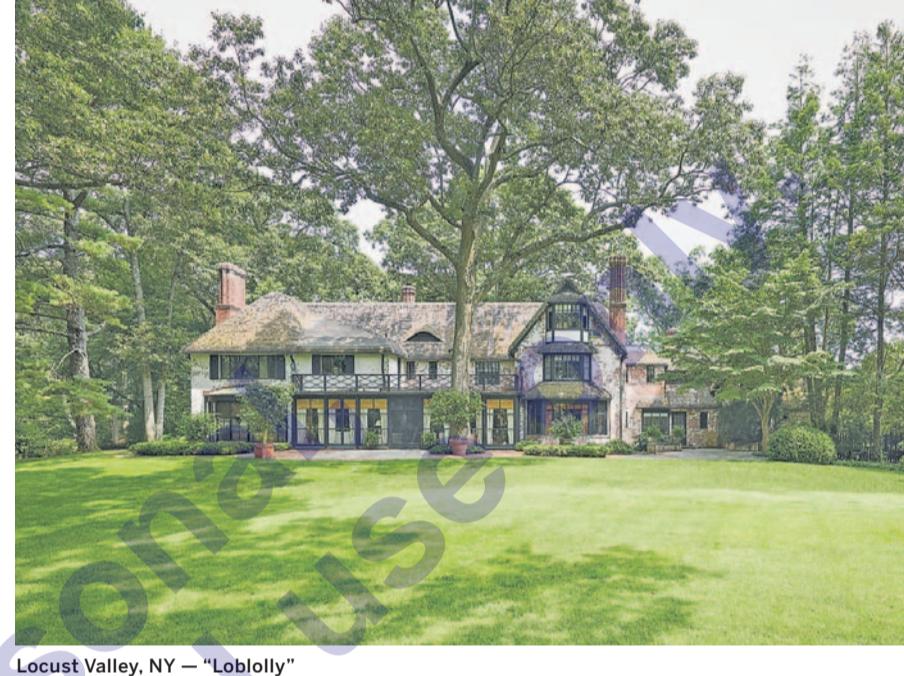
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## MANSION

JUMBO JUNGLE | KATHERINE CLARKE

# The \$200,000 House Payment

Forget cash: Some of the world's wealthiest buyers are taking out massive loans to buy luxury homes

**E**ntertainers Beyoncé and Jay-Z and billionaire hedge-fund executive Ken Griffin have something in common: They are among a small but growing number of ultraluxury home buyers who are borrowing tens of millions of dollars for home purchases.

The trend bucks the tradition of the ultrawealthy paying cash for their super-pricy homes. Mortgage experts attribute the shift toward so-called "super-jumbo loans" over the past couple of years to rising real-estate prices across the country and the historically low interest rate environment, which encourages wealthy buyers to borrow against their real estate to free up cash to invest elsewhere.

Beyoncé and Jay-Z financed their \$88 million purchase of a sprawling contemporary mansion in Los Angeles last year with a \$52.8 million mortgage from Goldman Sachs, public records show. The initial fixed-rate interest payment is 3.4%, but the rate becomes adjustable starting in 2022, meaning the couple will have monthly payments of more than \$200,000 from the outset, a mortgage expert estimated. Mr. Griffin has taken out more; through a limited-liability company he took out two mortgages for a combined total of approximately \$114 million for the construction of his Palm Beach, Fla., home in 2016, public records show. JP Morgan Chase financed the loans.

When Daryl Katz, the billionaire owner of the Edmonton Oilers hockey franchise, paid \$85 million for a Malibu, Calif., compound earlier this year, he took on a \$47.45 million, 30-year mortgage from UBS Bank USA, property records show. Mr. Katz is likely making monthly payments of over \$200,000 a month on the loan, if it follows typical guidelines, mortgage experts said. The borrowers and banks involved in the transactions involving Beyoncé and Jay-Z, Mr. Griffin and Mr. Katz declined to comment.

While the total number of these mega-loan borrowers remains small in comparison with the overall market—senior banking executives said the big banks only do a handful each year—the number is inching up.

Of the 233 mega-loans priced between \$10 million and \$20 million with balances currently outstanding across the country, almost 23% were originated in 2017, and nearly 16% were originated this year, according to data from real-estate research firm CoreLogic. A disproportionately large number of the loans—123—originated in California, according to Frank Nothaft, CoreLogic's chief economist.

In comparison, 40 of the loans were originated in Florida, and 31 were originated in New York.

Real-estate agents familiar with eight-figure home sales said financing rarely plays a role when it comes to negotiating the deal. Rather, the debt is often added after the closing.

"They might get financing privately or later, to take



ILLUSTRATIONS BY ALEX NABAUM

**Billionaire  
Daryl  
Katz is  
likely  
paying  
over  
\$200,000  
a month  
on one  
loan**

advantage of the lower rates, but the deal is never contingent upon financing, and I've never seen the financing discussed as part of the deal," said Vanessa Kitchen of Pacific Union International in San Francisco. "I do think that plenty of buyers who are in the financial sector believe that with the lower rates, especially a few years ago, it would be silly not to finance as much as possible of a large deal."

In the cases of prominent high-net-worth individuals, these loans are often issued by traditional banks, such as Goldman Sachs and JPMorgan Chase, industry executives said. For the banks, these loans are a means of keeping valuable customers happy, said Jon Maddux, CEO of FundLoans, a San Diego-based lender that underwrites more than 20 large loans each year. "If you have a client who has \$50 million with your bank, you would do everything you can to keep them from taking that money out," he said.

There are risks associated with financing so much debt on one single-family property. Several

people at one major bank said the largest institutions require low loan-to-value ratios and multiple appraisals before lending on a property. They also monitor real-estate markets to determine where prices are moving.

For borrowers who don't have a strong relationship with a traditional bank, a small network of lenders like private-equity funds and hedge funds is willing to finance megamansions, albeit for a higher interest rate. One instance of a private-equity firm lending on a private mansion is Fortress Investment Group's loan on Michael Jackson's Neverland Ranch in the mid-2000s. Mr. Maddux said interest rates on such loans today can be 6% or more if a borrower is considered risky.

Robert Cohan of Carlyle Financial, a mortgage bank based in San Francisco, said private-equity funds evaluate these opportunities on a case-by-case basis, and will often be willing to work with borrowers like athletes, entrepreneurs and the self-employed with distinctive circumstances.

## BIG LOANS



While the total number of mega-loan borrowers remains small in comparison with the overall market, the number is inching up.

**233**

mega-loans are priced between \$10 million and \$20 million with balances currently outstanding across the country, according to data from research firm CoreLogic..



**123**

of those loans originated in California, according to Frank Nothaft, CoreLogic's chief economist.

**40**

of the mega-loans originated in Florida



**31**

of the mega-loans originated in New York. Many states registered no loans in excess of \$10 million.

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## MANSION



residence"—aimed at single men too old to remain at home but without a family to fill a full-scale stately home.

By the time of World War II society had changed and the property was considered far too large even for a family. In 1938 it was auctioned and divided into three homes. The Scotlands bought their section in 2011, along with 1.4 acres of formal gardens and woodland.

But although its architecture is eye-catching, the Scotland family had to expand and remodel their home to suit a 21st-century family.

"The main living room was painted dark red with lots of wood paneling, and had been subdivided with a wall so that there was a really tiny galley



Top, Henry and Chloë Scotland renovated their section of the home. Their cedar-clad addition, above, has a kitchen and corner nook, top right.

kitchen," said Mr. Scotland, 42, who works in advertising. "It was very tired and desperately in need of repair and rationalization."

Another problem was the ugly period-style conservatory leading from the living room, which Mr. Scotland believes was added in the 1970s. "The first summer we moved in it was 42 degrees in there, but in

### LIVING HISTORY

# A Fairy-Tale Home Called Fersfield

A 'gentleman's residence' in Bath, England, is asking almost \$2 million so the owners can tackle their next renovation project

BY RUTH BLOOMFIELD

**H**enry and Chloë Scotland left London in 2006 in search of a better place to raise a young family. Near the city of Bath they found it: a hillside home in a fairy-tale setting, accessed via a narrow driveway that zigzags through thickly wooded terrain.

"I couldn't believe you could achieve that kind of country living, in woodland with badgers and deer and buzzards, and yet still be close enough to the city to hear the crowds watching Bath Rugby at the weekend," said Mr. Scotland.

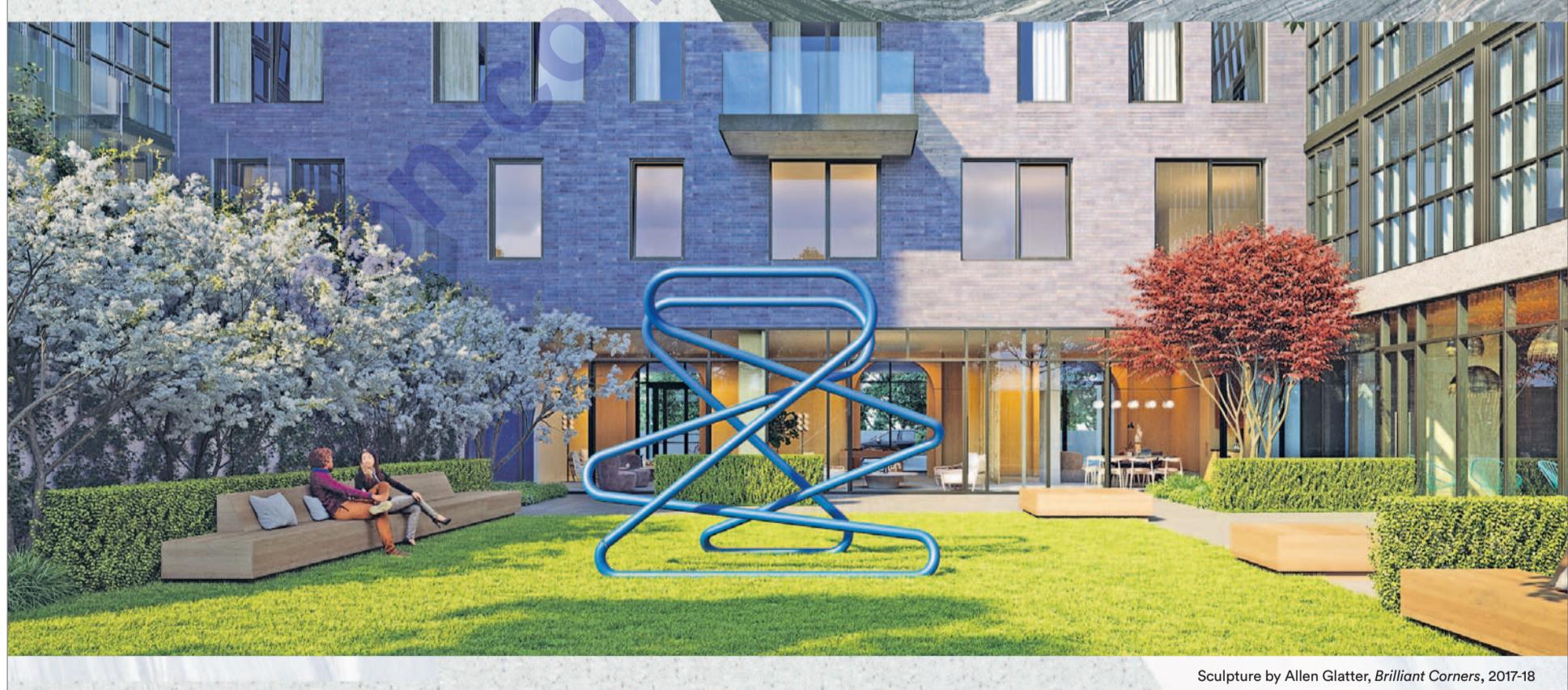
The house, named Fersfield, dates from the middle of the 19th century. Its front door has an arched surround carved from stone, while Elizabethan-style tall chimneys and a series of fanciful towers and spires beautify the roofline in a style known as Gothic revival beloved of the Victorians.

In Britain houses of the size and grandeur of Fersfield were often described as a "gentleman's

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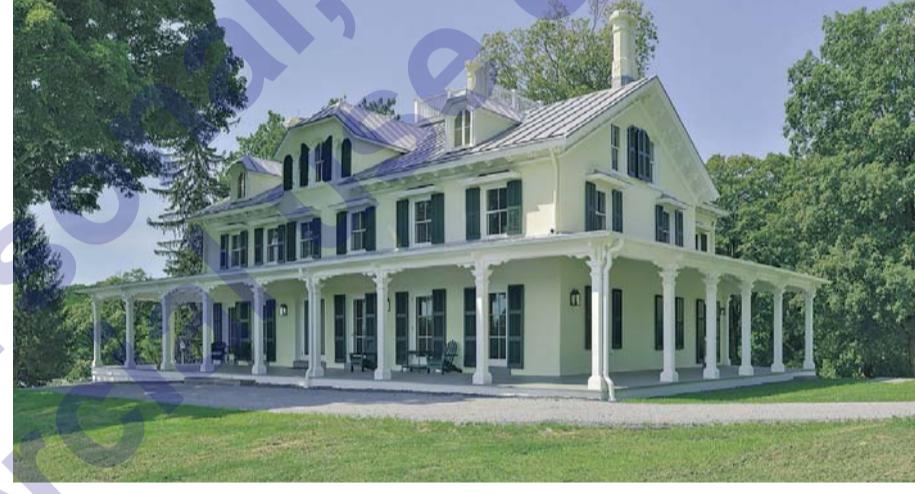
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## MANSION



the winter it was so cold you could see your breath in the air," he said. "It was pretty unusable."

In 2014 work started on demolishing the conservatory and replacing it with a modern, cedar-clad kitchen addition, as well as renovating the rest of the house for the couple and their three children, Maisie, now 15, Florence, 13, and Ozzie, 12.

Today visitors arrive through a large tiled hallway into the living room with broad timber floorboards, white walls and an original, half-moon-shaped bay window. A wide opening leads into the new kitchen addition, a light space thanks to two walls of floor-to-ceiling glass doors leading to the backyard, a skylight above the kitchen island and slim "slot" windows above the pale-gray cabinets.

Both of the upper floors have spacious lobby areas, used as a study and a playroom, respectively, bringing the house to 2,755 square feet. The master bedroom has another bay window with views across the city of Bath. "It feels like you are on top of the world," said Mr. Scotland.

Now, however, the couple is moving on to a new real-estate challenge. Their four-bedroom, three-bathroom house, which neatly merges Victoriana and contemporary style, is up for sale, listed with Knight Frank for £1.5 million, or about \$1.96 million.

"The house has got a really

nice feel to it," said Mr. Taylor, a partner at Knight Frank and the selling agent. "It has got quite a modern twist to it, which is good, and being tucked out of the way on the hillside means that is very quiet for Bath."

The Scotlands are selling the house to pursue their next project: They want to convert a large agricultural barn around 5 miles south of Bath into an even larger family house. "We have always had a 'new-build' itch to scratch," said Mr. Scotland. "But that doesn't mean we don't love this house. In many ways we'd be happy to stay here until we die."

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"The house has got a really



The kitchen within the new addition, above left, and one of the Scotlands' three bathrooms, above right.

## ABOUT BATH | REMNANTS OF ROME

Located about 120 miles west of the British capital is the Unesco World Heritage city of Bath, known for its Roman baths built circa 60 AD.



The Scotlands' home is located in the Perrymead neighborhood southeast of the city center, an area historically known as Loup's Hills. Accord-

ing to records kept by Bath and North East Somerset Council the area was originally common agricultural land.

Loup means wolf in French, raising the possibility that the area was once stalked by packs; wolves were relatively common in the British countryside until the 15th century.

—Ruth Bloomfield



GARETH PHILLIPS FOR THE WALL STREET JOURNAL (5); JOE DANIEL PRICE/GETTY IMAGES (BATH)



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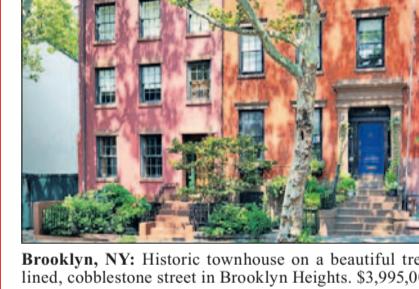
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## MANSION



## Modern in Methow

*Continued from page M1*

and no stoplights; the grocery store in Twisp has a taxidermy display that includes lions.

Among those lured by the natural beauty were architects inspired by the challenging conditions. They designed homes for themselves, which then attracted attention from visitors.

"We were definitely drawn here because of the architecture," says Dave Bacon, 43 years old, a software engineer at Google who is based in Seattle. Mr. Bacon and his wife, Lisa, who died this year from cancer, spent seven years looking for the right property and architect for their Valley home. They ended up working with Seattle firm Johnston Architects to build an angular, 1,400-square-foot steel, glass, concrete and cedar house with a shed roof that hangs far beyond its walls. It is on a 20-acre lot with sweeping views of the valley and the Sawtooth Mountains. The home, which cost about \$600,000 to build, has one bedroom but can sleep 11, thanks to alcoves and sleeping areas hidden behind sliding doors—plus an outdoor hanging bed for warmer months.

The move toward modernism in the Valley is tied both to the type of clients attracted to the area and to the environment, says Ray Johnston of Johnston Architects, who with his wife, Mary, designed some 20 other homes in the area in addition to the Bacons'. People who come to ski, hike and mountain bike tend to want a structure that is small, with visual nods to the barns and sheds that already exist there.

Architect Stefan Hampden, a principal at Seattle firm Cast Architecture, says the changes have created a new vernacular, which he calls Methow Shed. For his family, Mr. Hampden just finished a 2,200-square-foot house with a corner that opens entirely to the outside on the Chechaquo loop, a



**Tom Lenchek** was one of the first Seattle architects to design Methow Modern homes. He just completed a remodel of the home he built for himself, top and left, on 20 acres in 2000.



**Stefan and Julie Hampden**, with their children Gwen, 11, and Dylan, 13. Their home, by Mr. Hampden, has a corner that opens fully to the outdoors.



WIDAN ANG FOR THE WALL STREET JOURNAL (7)

## Three Valley Towns Full of Personality



**MAZAMA**

The first town off Highway 20 has some of the area's most expensive second homes. It is near a 120-mile network of cross-country ski trails. The highest concentration of Methow Modern homes is on a loop around a meadow called Chechaquo Ranch Road. Residents eat, shop, get coffee and listen to music at the Mazama Country Store. Warning: locals like to make fun of the second-homers riding up on their cruiser bikes to guzzle lattes.



**TWISP**

The arid town has an earthy, funky, artsy vibe. Its Confluence Gallery and Art Center runs an annual house tour, and a collective called Twispworks is home to nonprofits and craftspeople. Nice Nests makes the bird houses found in many Methow Modern homes. Cinnamon Twisp Bakery is known for its mean gluten-free peanut-butter and chocolate-chip cookie—and its cinnamon twists. The local grocery store, Hank's Harvest Food, has a taxidermy display.



**WINTHROP**

The town has a faux Western theme that originated in the 1970s as a way to attract visitors. Some modernism has since crept in among the breweries, souvenir and ice cream shops and the movie theater, Barnyard Cinema, above. The theater has reclining seats and a glass wall that turns from views of the Valley into a movie screen at showtime. The town remains a favorite stop for tourists, including men on large motorcycles who like to tour Highway 20.

## MANSION



**Architect:** Dan Nelson  
**Firm:** Designs Northwest Architects  
**Specs:** main house is 2,800 square feet, three-bedrooms, three bathrooms  
**Cost:** \$980,000

The threat of wildfires has caused designers to use less wood and more stone in newer homes, such as the 2,800-square-foot main home, above, and guesthouse owned by Colin Sands.



Dave Bacon and son, Max, in their 1,400-square-foot, steel, glass, concrete and cedar home. The one-bedroom home can sleep 11 people because of hidden spaces.



says Ms. Cysewski.

Some Methow Valley residents resent the influx of second-home owners, calling them "206-ers" after the Seattle area code. More seriously, locals fiercely oppose large commercial-development projects.

A 1974 proposition by the Aspen Corp. to create a ski resort failed, as did a similar proposal in 1990 by a Bellevue company to create a winter and summer destination resort. Local groups are currently fighting attempts by a Canadian mining company to conduct exploratory drilling. The Methow Conservancy has negotiated easements for 8,507 acres in the area.

There has only been one major blow up over residential architecture, and that was caused not by the design but by the location of a steel cabin by Seattle architect Tom Kundig, built in 2012 along the edge of a ridge. The placement of the house galvanized locals and second-home residents. Cars sported "Move the Hut" bumper stickers and the Mazama Country Store displayed a gingerbread rendition of the "Move the Hut."

Mr. Kundig, who moved the hut following a court order, declined to comment about the controversy. But he says his earlier projects, such as one in 2008 called the Rolling Huts—six 200-square-foot steel-clad boxes on steel and wood platforms—helped fuel the Methow Modern movement.

The big worry now in the Valley is wildfires. Architects have responded with design changes, such as minimizing wood on the exterior, eliminating crawl spaces and using lots of stones and gabion walls in landscaping.

Anti-fire measures figured heavily in the design of a 2,800-square-foot main house and a 900-square-foot guesthouse that Colin Sands, a financial adviser from the Seattle area, just finished. He initially wanted a Northwest Craftsman. But his builder, an old friend, introduced him to Dan Nelson of Designs Northwest Architects, and Mr. Sands changed direction.

"It's like there's a covenant here now that you must build a modern home," he jokes.



**Architects:** Margo Peterson-Aspholm, Tom Lencheck, Shawn Kemna  
**Firm:** Prentiss Balance Wickline Architects  
**Specs:** 2,500 square feet, three bedrooms, three bathrooms  
**Cost:** About \$1.2 million

Owners Doug Ross and wife Claudia Sanders visited the area's cross-country ski trails for years before building a home in the area.

road around a meadow in Mazama. Seattle-based architect Tom Lencheck, who started going to the Valley for cross-country skiing and hiking in the late 1970s, says the change to the area's architecture has been "an organic process." Mr. Lencheck—inspired by a local designer and builder named Doug Potter who was building what he calls "shackitecture," or small cabins made out of recycled wood and corrugated metal—started designing houses that had a modern aesthetic and an urban sensibility for clients he knew from Seattle. Mr. Lencheck's firm, Prentiss

Balance Wickline Architects, or PBW, has finished 35 houses in the Valley and has five new homes in the works. As the demand rises so do costs, from about \$260 a square foot to today's low end of \$350 a square foot, says architect Margo Peterson-Aspholm, who runs PBW's Valley outpost.

Mr. Lencheck bought a 20-acre lot in 1984 for \$17,000 and built a house in 2000 for about \$300,000. A recently completed remodel—including pushing the living space out 8 feet, adding an outdoor area and a new kitchen—cost \$600,000.

A house he designed caught the attention of Doug Ross, 64, an antitrust attorney in Seattle who regularly skied by it when he and his wife, Claudia Sanders, 65, an executive at Washington State Hospital Association, were in the Methow Valley. The couple bought a 1.3-acre lot on the Chechaquo loop and hired PBW to design a 2,500-square-foot, three-bedroom home with reclaimed wood siding and two big stone fireplaces. The shed, with views of the mountains, has guards to retain snow on the roof as insulation in the winter. A few houses away is one of the

first modern homes on the Chechaquo loop, built in 2008 by Jeff Cysewski, 58, who owns a healthcare-management company in Kirkland, and his wife Nadine, 56. They noticed the work of Nils Finne of Seattle-based Finne Architects in a design magazine and then discovered Mr. Finne also owned land in the Methow Valley. The neighborhood association at first objected to the steel columns that raised the house off the ground and the way the shed roof warped upward at each end, creating a wavy look. But the couple prevailed.

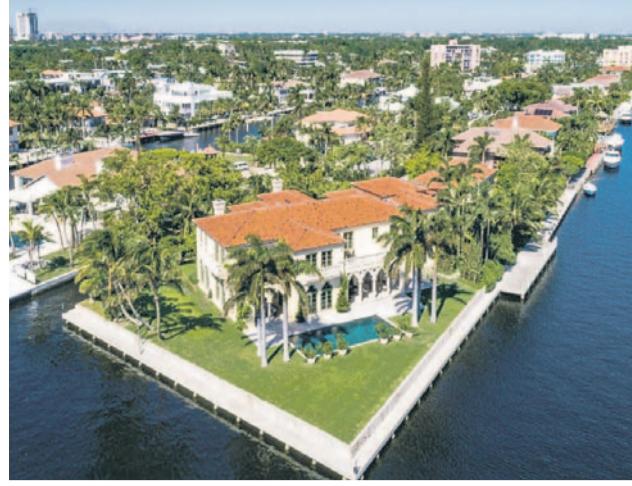
"I feel like we inspired people,"

he says. "It's like there's a covenant here now that you must build a modern home," he jokes.

PHOTO: JASON LEE FOR THE WALL STREET JOURNAL (2); MAP BY JASON LEE



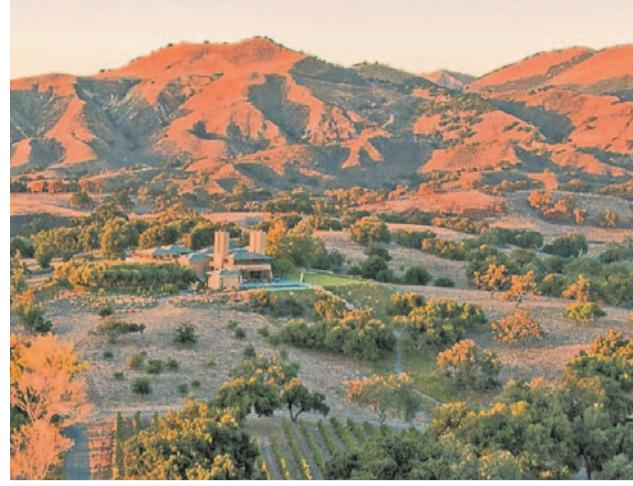
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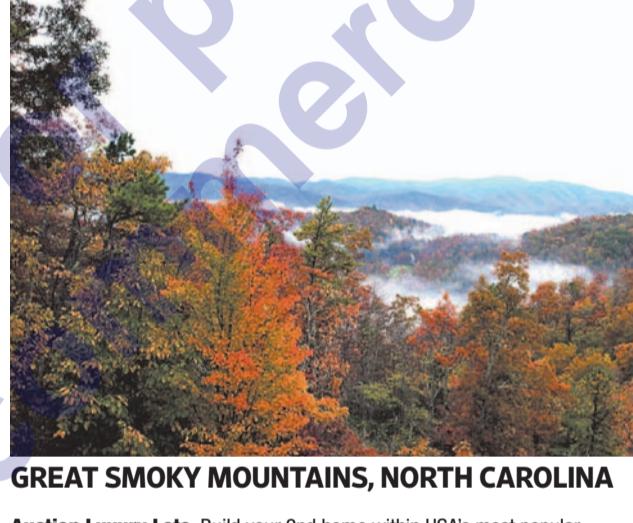
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Owner William J. Catacosinos said he bought the property in 1978 from the estate of Abby Rockefeller Mauzé, granddaughter of oil magnate John D. Rockefeller. The founder of the Greenacre Foundation, an organization that supports parks and community gardens in Manhattan, Ms. Mauzé died in 1976. Prior to her, the estate was owned by the family of Charles Pratt, an oil man and a colleague of Mr. Rockefeller, public records confirm.

In the 1990s Mr. Catacosinos,



GIOVANNI D. PUGLISI (2)

then chief executive of Long Island Lighting, was criticized by community leaders for his role in spearheading the company's financial turnaround, which resulted in higher utility rates. In 1998, he

also received a \$42 million pay package when the company merged with KeySpan Energy. Mr. Catacosinos said he remembered it as a "difficult period" and "very political," but was pleased that he

had successfully paid off the company's debts and recovered its stock price.

Now a senior partner at Laurel Hill Advisory Group, a shareholder services communications firm, Mr.

Catacosinos said he and his late wife Florence revamped the property, installing air conditioning and redesigning the interiors. Mr. Catacosinos said his favorite place in the house is the home's "red room," which has all-red furniture and a small library. He said he is selling the property because it's too large for him following the death of his wife earlier this year.

The house is being co-listed by Jason Friedman and Rudi Friedman of Daniel Gale Sotheby's International Realty, and Robert J. Olita and John J. Martin at Douglas Elliman Real Estate.

—Katherine Clarke

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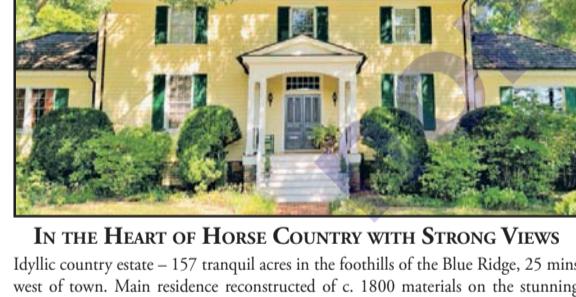
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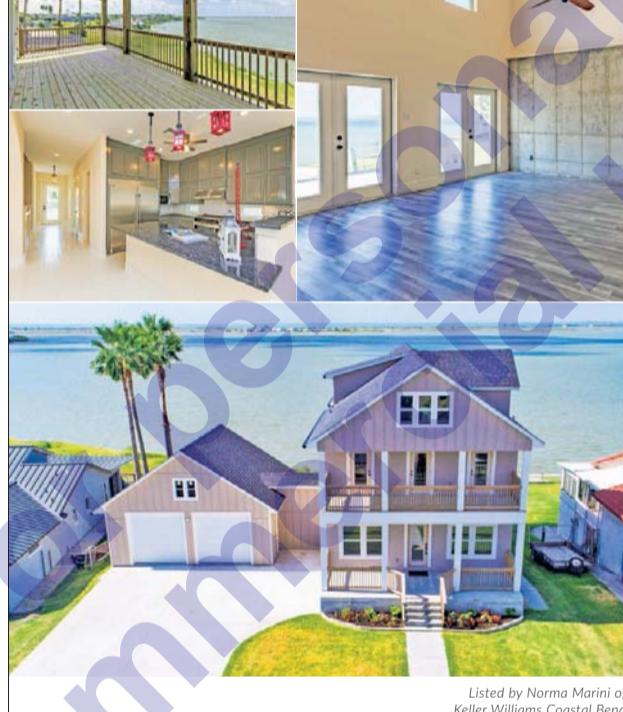
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### Opportunities Abound in Chestnut Hill, South Coast

SMART BUYERS LOOK AT HIGH-END PROPERTIES IN BOSTON'S SUBURBS

### Demand Is High on Cape Cod, Martha's Vineyard

LUXURY HOMES ARE BEING SNAPPED UP, WHICH IS GOOD NEWS FOR SELLERS

### Northern New England Offers Waterfront

DIP A TOE IN THE LESSER-KNOWN MARKETS TO FIND ATTRACTIVE PRICES

### Rhode Island Packs Variety into Small Area

HIGH-END SALES HAVE PICKED UP, IN AN INCREASINGLY STRONG MARKET

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# Opportunities Abound in Chestnut Hill

## SMART BUYERS LOOK AT HIGH-END PROPERTIES IN BOSTON'S SUBURBS

By Joseph Dobrian

Boston's luxury residential market has been on a roll for the past few years, as high-end condos and rentals continue to tempt empty-nesters from the suburbs, as well as high-earning professionals and foreign investors. This has created opportunities for buyers in suburban markets outside of the city.

**MORE VACANCY**

One of the most attractive suburban Boston markets is the area known as Chestnut Hill, which Jim Nemetz, partner at Coldwell Banker Hammond Residential, explains is a ZIP code that contains parts of the towns of Brookline and Newton. He reports that the massive influx into downtown Boston has created higher than usual vacancy in Chestnut Hill and other suburban areas.

"A huge demographic is heading downtown," he confirms. "Every empty-nester wants a three-bedroom flat, with an elevator, and where they can drive into the building. This has created a larger inventory of single-family homes in the more remote suburbs—some of them [so-called] 'McMansions'—that are harder to sell because the demographic that would be interested in them is not quite at the age of buying in this price range."

The nearer to Boston proper, the stronger the market is from



*Buyers can find spacious family homes in the \$900,000 to \$1 million price range in the southern part of Brookline.*



the seller's viewpoint—especially in the Chestnut Hill area of Brookline and Newton, immediately west of Boston.

"The schools there are really good: you don't have to send your children to a private school," Mr. Nemetz says. "Parts of these towns are urban, with townhouses and condos, if you prefer that lifestyle. In other parts, you'll see larger single-family lots with more privacy."

**MID-PRICED MARKETS**

Chestnut Hill offers several large brick estates on two- to three-acre parcels, Mr. Nemetz says, while buyers can find four-bedroom homes in the \$900,000 to \$1.2 million range in the southern part of Brookline. Newton Center, Newton Highlands, West Newton Hill, and Waban are also quality mid-priced markets, if expen-

sive by national standards. "It's not a seller's market at the high end, although the market is active," Mr. Nemetz says. "There's what I call 'the curse of the B+ house.' It can be harder to sell a serviceable house, in a nice neighborhood, if it's not brand-new. We can sell wrecks, to people who want to transform them. We encourage sellers of very dated houses to offer a competitive price, then give potential buyers time to do their due diligence.

"We also have some very sophisticated new condos: not cheap, but you'll pay \$1,000 to \$1,100 per square foot for completely renovated flats in Brookline, compared to maybe \$2,500 in downtown Boston. We consider this area one of the best available investments."

"Chestnut Hill offers country properties in an urban setting,"

notes Terrence Maitland, chairman of LandVest, which has offices all over New England including the Boston metro area. "You can buy your vegetables from the legacy Allandale Farmstand, while you're living minutes away from concerts downtown."

**FINE HOMES**

Mr. Maitland notes that the Olmsted Brothers, a landscape architectural firm that dominated the area in the first half of the 20th century, provided a canvas for a dramatic array of fine homes.

"For example," he says, "we are listing a grand 1928 Shepley-Bullfinch brick Georgian on 3.5 acres, that is walking distance from restaurants and public transportation, as well as an 18th-century farmstead on 1.5 acres."

South of Boston, along the South Coast, prices have dropped substantially for waterfront property. Realtor Terry DeLuca, from the Marshfield, Mass., office of Jack Conway Real Estate, reports that recent storms and flooding have caused concern among buyers, and increased the need for flood insurance. He suggests, though, that might be the time to buy: prime property is available at great prices. Moreover, many observers agree that concerns about weather have been exaggerated.

**"IT OFFERS COUNTRY PROPERTIES IN AN URBAN SETTING."**

"Some houses that went on the market at \$1.2 million are now at \$895,000 and begging for a buyer," he says. "The buyer pool is much smaller than the inventory. If you're a seller, you might want to keep your property on the market over the winter, when competition will be less, because determined buyers will know what the property will look like in the summer. If you're up on a high bluff, you might not require flood insurance; in any case, we have go-to insurers who can help you save."

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# Demand Is High on Cape Cod, Martha's Vineyard

**LUXURY HOMES ARE BEING SNAPPED UP, WHICH IS GOOD NEWS FOR SELLERS**

By Joseph Dobrian

**O**utside of Boston, two of Massachusetts' most famous luxury home destinations are Cape Cod and the little island of Martha's Vineyard. In both of those markets, demand traditionally runs ahead of supply, and the current disparity is putting upward pressure on prices—so this might not be a bad time to sell, according to brokers in the area.

**ACTIVE MARKET**

Kathy Forrester, director of marketing at Kinlin Grover Real Estate and The Randall Family of Companies, reports that the market is very active this year. According to the Cape & Islands Multiple Listing Service, year-to-date, the average sales price across Cape Cod is up 8.6%. Average days on market, across all home price categories, fell 23%, from 108 in July 2017, to 83 in July 2018. At the high end, through the mid-year, homes over \$1 million have seen a 10.5% increase in sale price.

"We've already experienced a 40.4% increase in luxury sales volume and an 18.2% increase in average sales price over the last year," Ms. Forrester says. "Currently, we have 120 listings at \$1 million or higher. With very little buildable land

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L to R: five-bedroom waterfront home in Barnstable Village; custom-built house overlooking Squibnocket beach.

TEA LANE ASSOCIATES



remaining, and local environmental restrictions, new residential development is limited outside the most populated areas of the Cape—such as Hyannis and Falmouth, where a few condo communities are in development. The trend in the high-end market is to purchase and renovate."

Renovation of existing homes, or tearing down and rebuilding from scratch, are by far the most popular procedures on Cape Cod—rather than buying a new house in turnkey condition, of which very few are available at any time. This is particularly true at the high end, where buyers often purchase a property for the land value and extensively renovate it to bring it up to modern standards and technology.

Existing Cape Cod homeowners are also renovating to meet the demands of high-end buyers, who want updated custom interiors, modern

appointments, and state-of-the-art mechanical systems.

Kinlin Grover's current high-end listings range from a private, newly renovated five-bedroom waterfront home on 3.18 acres, in Barnstable Village, for \$6.25 million, to a custom five-bedroom waterfront estate on 3.56 acres with panoramic views of Nantucket Sound, for \$9.75 million, and an 8,000-square-foot waterfront estate in East Falmouth, priced at \$9.99 million.

**SELLING QUICKLY**

"The numbers say it for Cape Cod in 2018," remarks Stewart Young, regional manager for LandVest, there. "It's a solid market, with a few really great properties coming on—although they go quickly if priced well. We recently brought a really rare property to market in Truro and it was gone just like that. We have a very unusual large-acreage estate in East Dennis that has received a

great deal of interest because of its scale and privacy."

Abby Rabinovitz, principal broker/owner of Tea Lane Associates on Martha's Vineyard, reports that she's preparing for the fall season, which she expects will be more active than usual—although perhaps not as hot as 2017. So far, she says, transactions are down 4.5% island-wide, due mainly to low inventory in some villages.

"Overall inventory on Martha's Vineyard is down, but this varies in different niches," she says. "Entry-level properties are scarce and it's harder for a first-time buyer to get into the market: these properties often go under agreement in a matter of weeks. Inventory of quality custom water-view homes is also down, but waterfront inventory remains strong, with many incredible properties ranging from \$4 million to over \$20 million. There's outstanding inventory in the \$8 million

price range—and compared to markets like Nantucket or the Hamptons, the Vineyard has amazingly favorable pricing.

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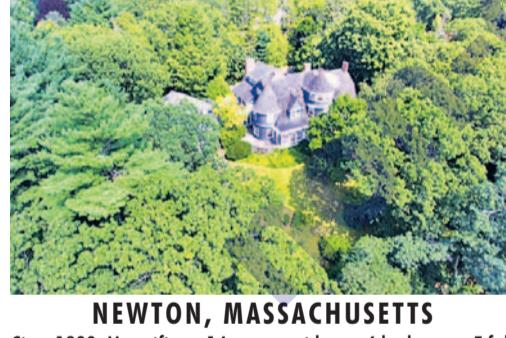
"Martha's Vineyard is a wonderfully quiet, peaceful place to get away, yet it has so much to offer. You have to fly or take the ferry to get here, which makes it more remote. Cape Cod is wonderful—easier to get to, more convenient—but we're less crowded. The island as a whole has incredibly varied topography, towns, rural countryside and great beaches," she concludes.

**"THE TREND IN THE HIGH-END MARKET IS TO PURCHASE AND RENOVATE."**

Tea Lane Associates' current listings include a new custom home in Aquinnah, with pool and "some of the best water views on the island," for \$6.35 million; a "quintessential beach home" perched above Squibnocket beach and pond, fully renovated and ready to move in, for \$4.4 million; as well as a classic waterfront property in West Chop, overlooking Vineyard Sound, priced at \$11.75 million.

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## Special Advertising Feature

# Northern New England Offers Waterfront Opportunities

DIP A TOE IN THE LESSER-KNOWN MARKETS TO FIND ATTRACTIVE PRICES

By Joseph Dobrian

**W**aterfront properties usually command the highest prices anywhere in New England—and sometimes they're priced prohibitively. But plenty of lower-cost options are available to home-buyers who are willing to leave the beaten path and consider markets where competition might be a little less fierce. Those who insist on salt water will find plenty of options in Maine, which has more coastline than any other state in the Union. If you're happy with fresh water, New Hampshire's lake country might be just what you're looking for.

**INVENTORY**

Ruth Kennedy Sudduth, director of LandVest's residential brokerage division, notes that while inventory in some urban markets is tight, opportunities for great waterfront properties abound throughout New England.

"From 33 Proctor in the heart of Manchester Harbor in Massachusetts, to Indian Portage's super-cool boathouse on Squam Lake in New Hampshire, to private enclaves on Lake Champlain in Vermont, to your own private island off the coast of Maine, you'll find great places to be on



33 Proctor is a waterside property here at Manchester Harbor, Massachusetts.

the water available at attractive prices: surprising for this late in the cycle," she says.

Pam Perkins, co-owner of Four Seasons Sotheby's International Realty in New London, N.H., says that in New Hampshire's lake country, 63 properties have sold for more than \$1 million so far in 2018, making it "a very good year."

"The Lake Sunapee region offers a connection to nature and water that has been untouched by time," she says, "We provide a country lifestyle with sophisticated dining and shopping only 90 minutes from Boston. We attract metropolitan families seeking to give their children the growth

experiences of our lakes, woods and mountains. The swimming is great from early June to mid-September; average lake temperature is 78 degrees. We also have a world-class protective association. Scientists travel here to learn techniques for controlling siltation and prevention of invasive species, so as to ensure a crystal-clear lake.

"I have a listing on Lake Sunapee's eastern shore; a compound on four-plus acres with 260 feet of shoreline and docking for five boats. Vail Resorts Management Co. has contracted to purchase the lease to manage Mt. Sunapee Ski Resort, as well as buying

Okemo and Crested Butte. We're happy to welcome a thoroughly professional management team."

Andy Peterson, co-owner of The Petersons in Peterborough, N.H., says his market is seeing an "echo boom" from other, more active markets. He, too, praises the seclusion of New Hampshire, "where you can stop at a stop sign and realize there's nobody behind you."

"You can get a finer house without paying the premium for being on the water," he says, "but many people want water for the full experience. In terms of pricing and availability, it's like being a kid in a candy store, to people up from New York or Boston.

a waterfront four-bedroom colonial on seven acres for \$635,000. On some of our prime lakes, you pay more for less land just to be on the water, but you still get good value."

At Legacy Sotheby's International Realty in Portland, Me., broker/owner Chris Lynch reports that recent federal tax reforms have not impacted the luxury market, which is enjoying a 30% increase in sales. He notes "a profound change" in the buyer demographic over the past 10 to 15 years.

**YOUNGER BUYERS**

"A decade or so ago, your typical buyer was [aged] 62 to 72, a recently retired empty-nester, a grandparent, looking to create a summer experience that replicated what they wished they had when they were young," he says. "We still have a lot of that, but we also see a younger demographic, who want to create that experience while their children are still in their household. The wealth created in tech companies, by younger entrepreneurs with access to capital, who love the work/life balance in Maine.

"We're seeing people with long-time connections to oceanfront communities elsewhere, exchanging their properties for one in Maine. Buyers are fleeing the summer crowds elsewhere for Maine; it is a gargantuan trend here."

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"The financial crisis was not a home-grown affair here, so we didn't have overbuilt neighborhoods or people buying what they couldn't afford, but still, the core values of these properties are higher than what they would cost you today. You can get 100 acres or more, and we have houses in the high hundreds to \$1.5 million that are gracious estates. I just sold

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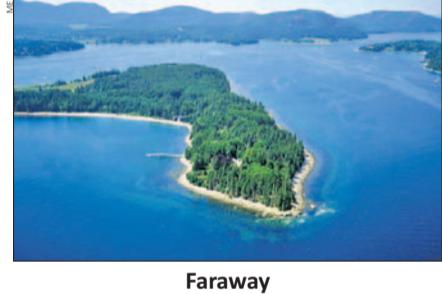
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## Special Advertising Feature

# Rhode Island Packs Variety into Small Area

**HIGH-END SALES HAVE PICKED UP, IN AN INCREASINGLY STRONG MARKET**

By Joseph Dobrian

**R**hode Island is the smallest of the United States. You can drive completely across it, vertically or horizontally, in less than an hour. But it offers tremendous variety in a tiny package. Luxury home-hunters can live in the culture-heavy cities of Providence or Newport, in a remote oceanfront mansion, or on a country estate with plenty of room for horses.

**HIGHER SALES**

Doug Randall, CEO of The Randall Family of Companies and founder of Randall Realtors, which has several offices in Rhode Island, reports that southern Rhode Island is slightly ahead of last year in million-plus residential sales.

"Starting from Narragansett, the Narrow River flows directly into the ocean," he notes. "It's a great location for kayaking, fishing, [and has] some of the best surfing in New England."

"South Kingstown has salt-water ponds, tributaries, oyster and clam farms, marinas with charter boats, sports fishing, and the main campus for the University of Rhode Island, which has concerts, plays and other summer events."

"Charlestown is considered a rural area on the coastline, with salt-water ponds that have beachways out to the ocean. Watch Hill is known for its grand estates and beautiful beaches, summer concerts, and

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**"PEOPLE ARE DISCOVERING NEWPORT AS THE AFFORDABLE OPTION."**

PHOTOGRAPH BY MICHAEL OSEAN



*Top: parts of Rhode Island are seeing sales slightly ahead of 2017's, say brokers; above, the Bird House in Newport, a more affordable location.*

a hand-carved horse carousel that's the oldest in the country."

At Mott & Chace Sotheby's International Realty, broker-owner Judy Chace notes a property that is an almost exact replica of [a famous American artist's] Long Island estate. It's set on 15 acres of fields and stone walls, amid farms and conservation land, and is just a short drive from Moonstone

Beach in South Kingstown. The property features a long, winding road leading up to it; wide board pine interiors; a post-and-beam great room, five stone fireplaces; bedroom suites with private entrances; swimming pond; and gardens.

"It's listed for \$2,850,000 by Claudia Philbrick in our Narragansett office," Ms. Chace says, adding, "Our state's

tourism slogan is 'Rhode Island is "fun sized"—two bites but extremely satisfying.' You can get from the ocean to an urban setting to the country in a very short time. We have amazing organic farms along the coast that offer farm-to-table dinners, at sunset, outdoors, for a few people up to a few dozen. Chefs from Providence are invited to create wonderful feasts with local products. It's an authentic Rhode Island experience."

**LUXURY MARKET**

Paul Leys, agent at Gustave White Sotheby's International Realty in Newport, remarks that the high-end market was slow for a few months, but seems to have picked up again. A one-time champion American figure skater recently sold a \$4 million property here, he says, and several other houses are under contract in the \$4.5 million to \$5 million range.

"I don't know the reason for this activity, save for it being a generally strong market," he explains. "Houses in the \$300,000 to \$500,000 range are selling at over the asking price. We have a stone-brick carriage house under contract in the heart of residential Newport, a stone's throw from downtown, for only \$1.7 million, and in turnkey condition."

"As for who's buying, it's a cross-section. People are discovering Newport as the more affordable option, compared to the usual places."

"It's got boating, jazz, tennis

tournaments, and all four seasons. If you like winter activities, we have that."

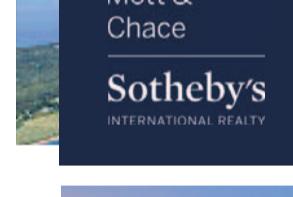
Melanie Delman, CEO of Lila Delman Real Estate, says it's the variety of luxury housing that sets Rhode Island apart. "Within a 30-mile stretch you can find Gilded Age estates on granite coastlines; Victorian-era shingle-style homes on long, uninterrupted stretches of sandy beach; homes on cliffs 150 feet above the sea; and simple beach bungalows that will take you back in time," she says.

"Many areas continue to experience low inventory levels. Average sales prices are up, and average days on market are lower than we've experienced in years. But pricing is still low as compared to the Hamptons, Nantucket, or Martha's Vineyard. As a result, buyers are paying more attention to the Rhode Island coastline."

Ms. Delman is currently offering "Plaisance," a \$14.5 million waterfront estate located on Newport's famed Cliff Walk, featuring 650 feet of private beach.

"It has spectacular views—reaching from Newport's coastline to Block Island and the Atlantic Ocean—from nearly every room in the house," she says. "It's a manageable estate, including rose gardens, blue-stone patios, and a private beach."

*Joseph Dobrian is a freelance writer specializing in real estate.*

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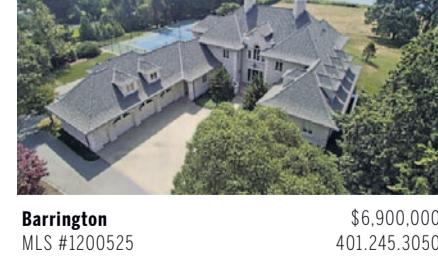
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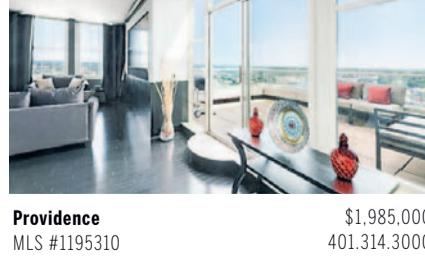
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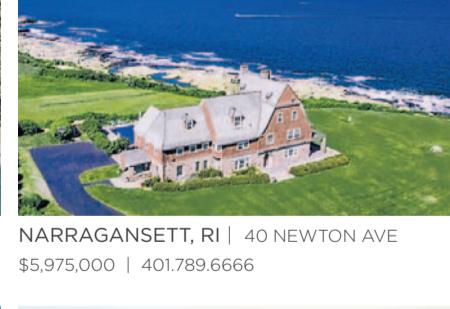
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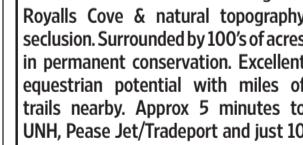
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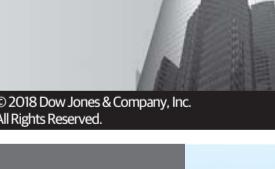
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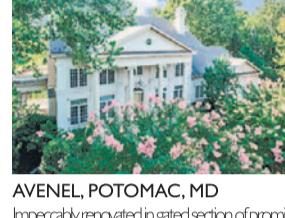
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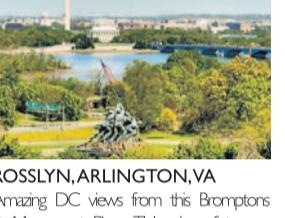
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## MANSION

# *She Was Modeling's Mod Sensation*

*Continued from page M1*

the youngest, I had a little box bedroom to myself. My father, Norman, had a good job as a master carpenter, building sets for the film industry. My mother, Nell, was a homemaker. Occasionally she earned money putting on children's parties.

Mum was supportive. I wouldn't go anywhere without her. She took me to dance classes and all my after-school activities. I wanted to be with her. I was really shy.

In the summer of 1965, I was 15. The only day of the week I was allowed out was on Saturday nights. On Saturday afternoons, friends typically came over, and we played around with makeup.

One Saturday, I modeled my eyes after my rag doll. I applied three pairs of fake eyelashes and painted little black lines under my eyes.

Later in the year, when I was 16, I began dating my first boyfriend. I was allowed to see him only on Saturday nights, when we went dancing at a nearby club. I had to be home by 10:30.

My boyfriend's brother called me Sticks instead of Lesley, because my legs were so thin. At some point, the nickname changed to Twiggy and stuck.

I hadn't planned to go into modeling, but then a friend of a friend who worked on a women's magazine suggested I have test shots taken. So in January '66, she sent me off to Leonard's hair salon in trendy Mayfair. Leonard himself came over when I was seated and asked if he could cut my hair. My hair then was mousy brown and shoulder-length, parted in the middle like a Mod.

I was in there for seven hours. Leonard added highlights and cut more and more. It was quite short at the end and parted on the side. I loved it. He sent me off to photographer Barry Lategan, who took some portraits. Leonard framed one and put it up in his salon.

That should have been the end of it. But then Deirdre McSharry, fashion editor of the national Daily Express newspaper, came in and saw my photo.

She said to Leonard, "I love the cut. Who's the girl?" He told her, and Deirdre called and asked me to come to her offices. I took the bus to Fleet Street.

She interviewed me about my home life, about being a Mod, about making my own clothes. Then they photographed me for a feature and I left. Two weeks later in February, my life changed.

The Daily Express ran a full-page feature about me with photos. Deirdre's opening lines were, "This is the face of '66...just 16, Cockney-pert and with the stamp of 'now.' This is the name, Twiggy."

Everyone in fashion called the paper to reach me. I didn't have an agent. My parents fielded the calls. A month or so later, I had bookings in England. By May, I was in Paris doing a shoot for Elle magazine.

I had to leave school. My father said, "If we were to



those covers appeared, and because of Vreeland's influence and power, I became a global sensation.

Modeling led to acting roles, among them Ken Russell's film, "The Boyfriend," for which I won two Golden Globes, Broadway's "My One and Only," and several TV series and record albums.

Today, I live with my husband, Leigh, in

the Kensington section of London. We have a spacious five-bedroom apartment and have been here for 33 years. We overlook a lovely garden square.

I no longer have my dresses from the mid-'60s. I'm not sure what happened to them. I still have a few suits I designed and a couple of Twiggy dolls Mattel made.

Applying makeup now is no big deal. I get ready quicker than anyone I know. But that 16-year-old girl with the fake eyelashes never really goes away. She's like a little friend who sits on my shoulder.



Twiggy on a fashion shoot in 1967, above; at age 4 in London, top right; with David Bowie in 1973, for his 'Pin Ups' album cover, left.

**Twiggy's '60s Picks****Favorite 1966 dress**

Pink minidress with yellow stars from Biba, a London boutique

**Favorite band ▶**

The Beatles

**Favorite fashion photographer**

Richard Avedon

**Favorite collectible**

A 1967 Mattel Twiggy doll with heavy eye makeup

**Closest call**

Nearly being crushed by fans in New York during Twiggymania in 1967

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